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AUTHOR Gorsuch, Marjorie, Ed.

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ABSTRACT

"Alaska's Image in the Lower 48," is the theme selected by a Blue Ribbon panel of state and national leaders who felt that it was important for students to explore the relationship between Alaska's outside image and the effect of that image on the federal programs/policies that impact Alaska. An overview of Alaska is presented first in this resource manual, followed by questions for discussion. The information sources are divided into three categories: Contemporary Image, Reality vs. the Image, and Image Reverberations--Federal Policies and Practices. The first section contains approximately 36 items, newspaper articles and advertisements, from sources primarily outside Alaska, published from 1976-85. Section 2 includes selections from 13 periodicals, predominantly from Alaskan publications from 1982-85. Section 3 contains 15 items from journals, newspapers, and research reports published during 1981-85 by sources inside and outside Alaska. All articles are reproduced in full and include complete bibliographic information (author, title, source and date of publication, and page numbers). An explanation of terms and definitions is included. (JMM)

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RESOURCE MANUAL

ALASKA FUTURE PROBLEM SOLVING PROGRAM

ALASKA PROBLEM 1985-86

Edited By

Marjorie Gorsuch

Copies of this handbook may be obtained by contacting:

ALASKA MANAGEMENT TECHNOLOGIES
369 South Franklin Street, Suite 101
Juneau, Alaska 99801

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FOREWARD

"ALASKA'S IMAGE IN THE LOWER 48"

The Alaska Problem, initiated as part of the Alaska Future Problem Solving Program in 1982-83, is now an integral part of the Program. Presented as your first problem of the year, "Alaska's Image In The Lower 48" provides you with an opportunity to examine an issue which is relevant to all Alaskan students, tomorrow's state leaders.

This year's topic was selected by a Blue Ribbon Panel of state and national leaders who felt that it was important to explore the relationship between our Outside image and the effect of that image on federal program/policies which impact Alaska. Research on the subject has yielded a wealth of information which begins to identify the ramifications of public perception in the governmental realm. It also introduces an exploration of "image making" per se and questions related to the media and the messages conveyed.

With the Resource Manual you are invited to probe the subject and to begin your personal exploration of this important topic.

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OVERVIEW

Alaska's Mystique

Alaska is a land of mystique. A new state, it is perceived as being a "Last Frontier", as unique, and the facts substantiate this perception. Alaska is geographically remote, non-contiguous, cold (with the lowest temperature on record, -80 degrees), and has a land mass 1/5th the size of the continental U.S.

Alaska is a scenic wonder. Ice fields, glaciers, lakes, rivers, mountains, wetlands, tundra, and muskeg dot its landscape. Permafrost underlies its' entire arctic region. This environment is home to a wealth of wildlife. Hundreds of birds, caribou, bear, sheep and moose coexist. Whale, seal, polar bear, halibut, salmon, crab, shrimp, herring and bottom fish inhabit the water.

Like everything else in the state, Alaska's natural resources can be categorized as superlative. Prudhoe and Kuparuk, the nation's two largest oil fields, are located in Alaska. Twenty percent of the United States' oil is produced in Alaska and this is where half of all the oil to be discovered in America is expected to be found. 74% of all the United States' Outer Continental Shelf areas are in Alaska. Alaska also has important reserves of base metals, such as copper, lead, and zinc; precious metals, primarily gold and silver; and strategic and critical minerals, including tin, tungsten, platinum, antimony, mercury, chromium, nickel, and asbestos. It is also estimated that Alaska may contain one-half of the coal resources in the U.S. and one-sixth of the world's coal.

The state's population is extremely small, 523,000, and residents of the state are young. The median age is 26.1 years of age, one of the lowest in the country. Alaska is home to three main groups of Native Americans: Eskimos, Indians, and Aleuts who constitute 16% of the population. As the Native Americans most recently impacted by contact with the white man, these Alaskans retain a rich variety of cultural traditions which contribute to the unique character of the state.

Contemporary Image Making

The stage is set. Alaska is a land of hyperbole. Enter 1968 and the Atlantic Richfield discovery of oil and gas at Prudhoe Bay with estimates of reserves calculated at 9.4 billion barrels of oil and 26 trillion cubic feet of gas. This discovery, and the actions which followed, initiated the contemporary image of the state.

Not to be overlooked as a factor in Alaska's developing contemporary image during the 1970's was the Alaska Native Claims Settlement Act enacted by Congress in 1971. The Act created 12 Native Regional Corporations in Alaska giving Native Alaskans title to 44 million acres of land and $1 billion. The Act was perceived as the vehicle by which the state's Native residents would participate in modern day capitalism while receiving compensation for their land. Native and non-Native Alaskans both looked forward to a generous flow of revenue in the state.

In 1969 Alaska held a lease sale on the Arctic Slope, south of Prudhoe Bay, receiving bonus bids totaling $900 million. Through the lease sale, in exchange for the right to explore and produce oil on the state lands, oil companies paid $900 million. Alaska was also to receive one-eighth (12.5%) oil royalty (in kind) on any oil taken from Prudhoe Bay. The value of the royalty was based on the "wellhead price," which is the final selling price adjusted for the transportation costs.

The sale initiated the most current "boom" cycle as the oil find ushered in a new era in Alaska. The Trans-Alaska Pipeline was completed in 1977 and money began to flow into the state treasury. These oil monies now account for 85%-90% of the state's revenue. Alaska receives the oil royalties, corporation income taxes on the oil producers and severance (production) taxes (dollar per barrel.) Additionally, the state has levied a property tax on the Trans-Alaska Pipeline System and production facilities, and allocates a share of the property tax receipts to local governments within which portions of the property are located.

Buoyed by a bulging state treasury, Alaskans embarked on a spending spree which rapidly accelerated growth of the state's annual budget. Decisions were made to invest large amounts of money in the development of infrastructure the state was lacking and major capital projects were constructed. State employment increased at a rapid pace as people were hired to implement the new programs being funded by oil revenues. Between 1980 and 1982 the operating budget grew by 50% from $1.2 billion to $1.8 billion. Capital and operating expenditures became so excessive that residents finally, in 1982, passed an initiative which limited appropriations for a fiscal year to $2.5 billion (adjusted annually for changes in population and inflation).

Alaska's median income became the highest of any state with an estimated $38,238 annually for a family of four (1983). The state income tax was eliminated and with the new-found monies came a series of "wealth programs" and actions which signaled to the world that Alaskans were experiencing the luxury of riches. In order to fully appreciate the impact of this fact Outside, one must realize that this was a period of recession for the rest of the United States, a historical fact which contributed to the "politics of envy" which subsequently developed.

New components were added to the budget. Loan programs, newly established or greatly expanded, put low interest money in the hands of residents. A state housing loan program, the largest of these efforts, provided home loans at interest rates ranging from 10% (lower in special cases) to about 13%, depending on the national interest rate. The student loan program was greatly expanded and an industrial development loan program was initiated. Energy-related loans, in the form of loans, grants and transfers, provided monies for hydroelectric studies and projects. Municipal grants for capital projects grew.

Alaska had always treated its older residents well and, in 1973, the Alaska Longevity Bonus was initiated. Those who had reached the age of 65 years and who had lived in the state continuously for 25 years, were given $100 a month. By 1983, the monthly amount had increased to $250 and the residency requirement had been reduced to one year.

Residents, who had toyed with the idea of relocating their capital from Juneau almost since 1959 when Alaska became a state, were spurred in this effort in the 1970's with the availability of money with which to accomplish the feat. However, when the issue actually was placed before voters in 1978 with a $966 million price tag, it was defeated. The idea of moving the capital was kept alive, much to the chagrin of Outsiders who saw the expenditure as an unnecessary one, until it was finally rejected by the voters in the last vote on the subject in 1982.

The Permanent Fund was established in 1976 as a special savings account for the state's future. Under the constitutional amendment, 25% of mineral royalties and related income (or about 10% of all state income) was automatically set aside. In 1980, the Permanent Fund Dividend Program was established. This Program provides dividends to each state resident based on the interest earnings of the Fund. (Each year the Fund computes a five-year average of its earnings. The extra amounts are used for public distribution.) The distribution of these dividends was initially made to each resident who had resided in the state for a year.

Another product of the pipeline era was the local hire law passed by the state which required 95% Alaska hire on most construction jobs financed with state or local money. While a number of state programs were specifically designed to "reward" residency, it was the Permanent Fund Dividend Program which prompted court action on the subject. The famed Zobel Case, which was heard in the United States Supreme Court, determined that the state could not distribute dividends based on length of residency. Subsequent decisions extended this basic concept of nondiscrimination of nonresidents (based on the constitution's "privileges and immunities clause") to other Alaskan programs.

Reality Vs. The Image

Alaska is popularly perceived as being a very wealthy state, a perception buttressed by the raw statistics. But these convey an incomplete picture. Now, for the rest of the story.

Living conditions in Alaska are unique and extreme. The population is small, 523,048 people spread over 586,412 square miles, a fact which relates directly to the cost of providing services. Much of the state lacks basic amenities and the infrastructure found elsewhere. Basic services such as roads, water, sewer systems, airports, ports, harbors, and affordable electricity are lacking. (The 1980 census found that 12.2% of Alaska's habitations lacked plumbing.) While a good portion of the oil revenue has been devoted to supply and upgrade of such services, much of rural Alaska remains without them.

The median income is high in Alaska, but the cost of living is also high. It costs between 15%-45% more for middle and upper income families to live in Anchorage than it costs to live Outside and living costs in other areas of the state are even higher. Alaska's annual average unemployment rate has been above 9% since 1977 when the pipeline construction and subsequent wealth lured thousands North to make their "fortune." Unemployment rates in excess of 15% are common in the winter in much of this state which is noted for its seasonal employment.

Everything costs more in Alaska. The small population, land, labor, capital and transportation costs all contribute to the inflated prices. And, while the number of Alaskans (40%) reporting incomes suitable for a high standard of living exceeds the national number, 30% have incomes at or below the amount needed for a "low" standard of living.

Because of Alaska's size, it is generally thought that land is readibly available. This is not the case. Land ownership is divided among three main property holders: The federal government, native Alaskans, and state government. As a result, private land prices are very high. A severe housing shortage exists throughout the state. Suitable and/or affordable housing is limited as are rental units.

Historically, Alaska has an economic tradition of boom-bust cycles--short booms based on natural resource exploitation, followed by long periods of bust when the resource was depleted or the market became unprofitable. This pattern has been the case with Alaska's fur, fish, marine mammals, timber and minerals.

The state is now in the down cycle of the current boom related to oil production. 85%-90% of the state's nearly $3 billion budget comes from oil and oil production is beginning to decline, along with the associated revenues as the the glut of oil on the world market continues to lower the price of oil. By 1998 production is expected to be half of today's output, or roughly 850,000 barrels daily. It is not expected that any other field comparable to Prudhoe Bay will be found.

Diversification prospects for the state are seen as limited. It is not expected that fishing, mining, timber, harvesting, tourism, agriculture, or business will ever be able to replace oil and gas in revenue production for the state. This situation contributes to the growing concern that Alaska will soon face another "bust" cycle.

Image Reverberations - Federal Policies & Practices

Alaska has historically experienced domination by external forces. Political domination came in the form of Russian ownership and exploitation and then U.S. ownership and territorial status. Because Alaska was "governed" by the federal government from purchase (1867) until statehood was achieved in 1959, its self determination and destiny have been more intimately related to the federal government than that of other states.

Other factors have also contributed to the continuence of this unique relationship.

- Alaska is in a strategic location for defense purposes, being at the polar aviation crossroads, therefore, a national military presence is located in the state.
- Fish, marine and land mammals migrate across international borders attracting federal and international controls.
- With international borders, the state is the object of international treaty making.
- As a noncontiguous state, Alaska experiences the negative impact of federal laws designed for commerce among the contiguous states.
- 74% of the nation's potentially rich, federally owned OCS is located off the coast of Alaska (especially important when national interest has been correlated with energy self sufficiency)
- The federal government is the major land owner in the state with 59% of the land.

The federal government is a forum for the views of the American public. Public perception most commonly is reflected, through our representative form of government, in public policy and practices. Federal policies and practices which relate specifically to Alaska are outlined below.

- <u>Federal Expenditures and Receipts</u>

Per capita federal expenditures in Alaska exceed the national average by 80% even after adjustment for Alaska's higher cost of living. However, federal revenue collections per capita from individual Alaskans exceeds the national average by 22% and revenue collections per capita from general economic activities exceeds the national average by 205%. In 1980 federal spending in the state was $2.1 billion while federal revenues were $3.7 billion.

The federal income tax, because of the workings of the tax brackets on Alaskan salaries inflated to meet the highest cost of living in the United States, places the average Alaskan in a very high tax bracket. For instance, a middle income Alaskan family pays 4.3% more in income tax than an equivalent family elsewhere in the United States.

. Resource Development

The federal government owns 59% of the land in Alaska and sets the development rate for nearly 90% of the land, land which has rich deposits of mineral wealth. The federal government is an overriding influence on general land use and resource development with the ability to expedite, encourage, discourage, delay, or prevent development. The Trans-Alaska Pipeline (TAPS) and the Alaska National Interest Lands Conservation Act are cases in point.

After oil was discovered in Prudhoe, the federal government delayed the construction of the Trans-Alaska Pipeline refusing to issue the pipeline builders the right of way permits to cross federal land until the OPEC oil embargo in 1973. When it was determined that it was strategic to the national interest to get Alaska's oil to market, Congress passed special legislation approving and speeding pipeline construction. TAPS, traversing federal, state, and private lands, had focused national attention on the state and pitted environmentalist against developer in a controversy over the use of Alaska's land.

The same factions were vocal during the nine-year struggle during which the Alaska National Interest Lands Conservation Act was being developed. The legislation involved the land use designation of federal lands in Alaska and resulted in 100 million acres of Alaska being reserved for parks and refuges. During this period (1970's), state residents, who basically were sympathetic to protecting Alaska's beauty, equated environmentalists with outside government control of state resources.

More recently, the federal government gave the "go ahead" for the construction of a trans-Canadian Alaska Natural Gas Transportation System but the pipeline has been indefinitely delayed for a variety of economic reasons. An alternate pipeline for transporting liquid natural gas to Pacific markets has been proposed. This project will also need federal support.

. Resource Revenues

Alaska perceives the major potential threat from the federal government to be policies which relate to Alaska's resource revenues. Alaska currently levies a 15% severance tax on oil but a coalition of Northwest and Midwestern states has proposed a national severance tax in conjunction with a cap or complete bar on state severance taxes. Such a move would, as is evident, impact Alaska dramatically.

Alaska now shares in revenues from the leasing of certain Outer Continental Shelf tracts within three miles of state submerged lands. In 1978 Congress determined that revenues from OCS lands beyond the three-mile limit should be split with the states, but did not establish a formula for distribution. The issue has gone unresolved while the federal government has collected more than $30 billion in the intervening years.

Alaska currently benefits from an amendment to the Windfall Profits Tax which exempts a portion of Prudhoe Bay from taxation. In 1983 the Supreme Court upheld the constitutionality of Alaska's exemption because of the "disproportionate costs and difficulties--the fragile ecology, the harsh environment and the remote location associated with extracting oil from this region." However, this exemption could be altered at any time by the federal government.

. Trade Policies

A number of very specific pieces of federal legislation have had a significant negative influence on Alaska's current trade practices. The Merchant Marine Act of 1920, commonly known as the Jones Act, regulates trade between American ports and restricts domestic trade to vessels built and registered in the United States and owned and operated by Americans. Capital costs for constructing vessels and labor costs are twice as high in the U.S. as in foreign countries which means that because of transportation costs, it is cheaper for Alaska to transport a shipload of any bulk commodity from Alaska to Japan, Korea, Singapore, Hong Kong and Taiwan than to any port in the conterminous states.

The Federal Export Administration Act of 1979 bans the export of Alaska crude oil on the basis that the ban is essential to the energy security and general security of the U.S., a major problem for a state which has potential markets for its oil in the Pacific rim countries.

Another federal law, this one dating from 1926, prohibits the export of timber from federal lands which has not received primary manufacture in the United States. The application of this law to timber from state lands is still being decided in federal courts.

QUESTIONS FOR DISCUSSION

1. How is an image formed and altered? Who/what is responsible for image formation?

2. Have you had any personal experience with trying to create or change your personal "image?" What did you do? How did you do it?

3. What is your image of Alaska? Compare and contrast it with the view you believe Outsiders hold of the state.

4. Describe the factors which contribute to Alaska's mystique. What specific facts distinguish Alaska as unique?

5. What are the economic, social and cultural implications of Alaska's dependence on petroleum revenues?

6. Explain the Alaskan programs and policies which might indicate that the state is wealthy.

7. Which program/policy would you consider most likely to reinforce the state's wealthy image and create a negative impression?

8. Which program/policy would you consider most likely to create a positive image of the state as a responsible money manager?

9. Are Outsiders impacted by events in Alaska? Explain.

10. Enumerate and explain some federal laws which impact Alaska.

11. To what extent does Alaska's image effect federal laws and how do those laws effect Alaska?

12. Should Alaskans be concerned about their Outside image? Why or why not?

TERMS AND DEFINITIONS

CELLULOID	Motion picture film
DISCOVERY	The initial find of significant quantities of hydrocarbons
EMPLOYMENT MULTIPLIER	The effect produced as income ripples through other sectors of the economy creating additional jobs as it is spent
EXCISE TAX	Tax levied on the consumption of particular goods (Ex. gasoline, cigarettes, firearms, etc.)
EXPORTED TAXES	Taxes levied by one state which are paid by citizens of another state
FISCAL	Relating to financial matters
IMAGE	A mental conception held in common by members of a group and symbolic of a basic attitude and orientation
INFRASTRUCTURE	Permanent installations (such as roads, harbors, airports, etc.)
NATURAL RESOURCES	The resources within and above the land and water
OIL & GAS LEASES	Contracts which, for a stipulated sum, convey to an operator the right to drill for oil or gas
OUTER CONTINENTAL SHELF (OCS)	All submerged lands lying seaward of the State offshore lands
OUTSIDER	A term used by Alaskans to refer to an individual who does not reside in Alaska
REVENUE	The yield of taxes and other sources of income that a political unit collects and receives into the treasury for public use
ROYALTIES	A share of the minerals in value or in kind, produced from a property. (Traditionally, related to the right of the King to receive some of the gold/silver taken from the realm)
SEVERANCE TAX	A tax on the producer of minerals for minerals removed from the ground
WINDFALL PROFITS TAX	An excise tax on oil production with a rate structure based on the difference between current oil prices and 1979 levels, the so-called "windfall profit" from decontrol.

SOURCES OF INFORMATION

Sources of information are presented in three sections as follows:

I Contemporary Image - These materials are primarily Outside newspaper accounts of events in Alaska which have helped to convey an image of the state.

II Reality Vs. the Image - The resources in this section help to communicate the economic realities of life in the Great Land.

III Image Reverberations - Federal Policies and Practices - The last section references material designed to inform the reader in regard to federal policies and practices which impact Alaska.

All three sections include reviews of books, magazine and newspaper articles and public documents. These are arranged in chronological order so that you can follow the historical development of each sectional topic.

The materials referenced are merely a sampling of the information available on this Problem and you are encouraged to search further in your research. One particularly valuable reference source is "Alaska: Reflections On The Future". This 22-page newspaper supplement is a Special Edition prepared by the Juneau Empire in 1984. The Juneau Empire has graciously agreed to make a copy available to those FPSP teams which send a large (9 1/2" x 12 1/2"), self addressed, stamped ($.90) envelope to:

Juneau Empire
Attn: Fred Howard
235 2nd Street
Juneau, AK 99801

I CONTEMPORARY IMAGE

McPhee, John, "Coming Into The Country", Farror, Straus, & Giroux, New York, 1976.

The following is a summary excerpt from the book jacket.

Book II, "What They Were Hunting For," describes, with not a little playful wit, the efforts of an officially appointed group of Alaskans (under the leadership of an Eskimo who at age twenty-seven was head of the Alaskan Democratic Party) to select a site for a new state capital. The story of the capital move serves as a kind of catalyst for a whole spectrum of impressions of a society all but apart in the world and almost totally absorbed with itself. In Alaska, the author writes, 'the conversation is Alaskan.' Meanwhile, to many Americans "outside," Alaska seems almost a foreign country, and McPhee's evocations of Alaskan people and Alaskan terrain in no way alters that impression.

1981 Report to the Governor, Alaska Growth Policy Council, August, 1981.

In 1975 Governor Jay Hammond created the Alaska Growth Policy Council and charged it with developing "a definition of critical problems affecting the development and growth of Alaska". The Council issued its Final Report after six years of considering issues related to its charge. Included in the Report were summaries of comments made by national and state leaders at a public symposium held in 1980. Those relevant to the Alaska FPS topic follow. It must be remembered that Alaska was basking in its newly acquired oil wealth during this period and the focus of the symposium was the handling and deposition of Alaska's oil revenues.

. Wealth Redistribution

Alaska, as a mineral-rich state, is envied by the energy-consuming states which face "the problems of shrinkage" from lower population and tax bases to higher unemployment, welfare and energy costs. Experts predict efforts to spread the wealth or limit advantages enjoyed by energy producing states. Suggestions were made for taking positive steps to mitigate the impression of Alaskans as exploitive fortune hunters by: confronting the issue "head on", in the courts', setting up a Foundation to support worthwhile causes; and/or adopting a policy of fiscal caution. The Permanent Fund, held largely Outside as a trust, was seen as a way of arguing that a great part of Alaska's oil wealth was being placed at the disposal of the National capital markets. (pages 14 & 15)

. The Politics of Envy

John Havlock, a Council member, makes a plea to Alaskans for investing the State's great wealth in America, rather than just in Alaska. He recommends broad scale investing in American capital needs while recognizing that "the first proper long term purpose of Alaskan investment should be to provide a stable income floor to support the reasonable long term needs of a small population spread over great distances who suffer, accordingly, from a cost of public service which cannot be sustained by taxes on the conventional economy .....Americans are somewhat tolerant of great wealth but only when wed to some concept of stewardship. What might be tolerated of the use of money in private hands, moreover, will less likely be tolerated when public money is involved ..Once prudent internal Alaska investments are made, Alaska should put its revenue into America instead of funding short-sighted, extravagant and wasteful local private or public investment programs." (pp. 16 - 19)

Keerdaja, Eileen, "Alaskans Cool Off On New Capital", Newsweek, August 24, 1981, p. 9.

The author reports on the status of the capital move. In response to the information that it would cost $966 million to build a new capital, Alaskans passed a measure known as the FRANK initiative (for Frustrated Responsible Alaskans Needing Knowledge) to require voter approval of all bondable costs before work on a new capital city was initiated. Move supporters contend that the state's $6 billion annual revenue from the North Slope oil makes the move affordable. Senator Bill Ray of Juneau refutes that assertion saying, "There are a lot higher priorities in the state. The people in Anchorage talk about building an opera house and the people in the bush don't even have outhouses."

Carlson, Eugene, "Some Western States Struggle To Get Rid Of Excess Money", Wall Street Journal, December, 29, 1981, p. 23.

In the midst of recession, some states, specifically those in the oil, natural gas, and coal- rich west, are experiencing budget surpluses. Most of their money has come from personal and corporate income taxes, royalties, fees and other sources.

"As for Alaska, 'They have entered into fiscal nirvana,' says John Shannon, deputy director of the Advisory Commission on Intergovernmental Relations. 'They've got so much money up there they don't know what to do with it.' One thing Alaska knows how to do is spend—$3.5 billion in the last fiscal year, or $8,728 for each of its 401,000 citizens. That's about eight times the national average for state per capita spending. Still the money rolls in. Since 1977, Alaska has pumped a bit more than $2 billion into a trust fund for use when the oil runs out. The fund gets a further $1.4 billion from its fiscal 1983 spending forecast. 'When you live by oil, you die by oil," says Ron Lehr, state budget director.' "

Zonana, Victor F., "Alaska Economy Still Lively, But Starting To Feel Changes", The Wall Street Journal, March 2, 1982, p. 33.

Alaska's economy continues to lead the nation's. An employment increase of 5% is predicted, continuing an accelerating trend. "The economy is lively", says William Negbesky, a University of Alaska economist. He cites high outlays for oil exploration and development and still-generous expenditures from the affluent state treasury. "But don't paint things too brightly," he warns, lest legions of unemployed workers invade the state seeking jobs. It wouldn't take much migration to strain housing, schools, and other facilities."

United Press International, "People Have Some Odd Ideas About Alaska, Governor Finds", Christian Science Monitor, January 13, 1982, p. 9.

"A national opinion survey seems to confirm just what Governor Jay Hammond has long suspected: Americans in the lower 48 states often believe the most outrageous things about his faraway state of Alaska.

A recent Dittman Research Corporation poll showed, for example, that 5 percent thought Alaska was a separate country, 4 percent regarded it as a territory, and 2 percent accorded it commonwealth status.

About 63 percent thought Alaska was covered with snow and glaciers most of the year and a significant percentage envisioned it populated mostly by Indians and Eskimos."

Carlson, Eugene, "Alaska Tries Selling Itself On Television", Wall Street Journal, February 2, 1982, p. 25.

The following article is reprinted in its entirety.

Sandwiched between the Super Bowl broadcast's beer and automobile commericals was a 30-second spot from an unusual television advertiser: Alaska. State governments normally aren't big-time media buyers. But Alaska's division of tourism decided $320,000 was a fair price to pay the Columbia Broadcasting System to put a single half-minute message into 40 million football-watching homes.

"We figured our target audience was watching the Super Bowl," says Jon Farnan, tourist division marketing coordinator. Who are these potential Alaska visitors? People 35 years and older with annual income of at least $35,000, say Mr. Farnan. "There are 21 million in the U.S. in that category who haven't been here yet." he says.

The state is spending another $1.4 milion to run this spot, and a companion commercial, for five weeks in 16 major cities. " A lot of people think it's too cold here and that there's nothing to do." says Mr. Farnan, explaining why the ads, filmed in the state last September, show a handsome couple walking barefoot on a beach, flying a hot-air balloon and dancing in a nightclub. Alaskan summers are warm, and winter temperatures often aren't as cold as in Minneapolis or Cleveland, says Mr. Farnan. "Nobody lives in igloos".

Alaska National Communication Program, May 1981 - May 1982, A Case Study Prepared for The Office of the Governor, State of Alaska, Boston University School of Public Communication, Boston University, 1982.

This book is a comprehensive report of the National Communication Program initiated by Governor Jay Hammond in 1981 in repsonse to a national survey which "revealed gross misperceptions and information vacuums" about Alaska. The Program incorporated the combined powers of the mass media, print and electronic, to reach the broadest possible American audience. The objectives of the compaign were threefold: (p.10)

- To take the initiative in opening new channels of communication between Alaska and the nation;
- To provide national media and their audiences accurate, up-to-date information about the state; and
- To correct misconceptions about Alaska

The campaign was designed after a national poll, conducted in 1981, revealed that of the respondents:

- 15% didn't know Alaska was a state (and a third of those thought Alaska was a foreign country)
- 1/3 guessed the size of Alaska at half of its actual size
- Over 1/3 thought that Alaska had over a million residents (more than double its actual population of 400,000)
- 41% thought that the Federal Government was more qualified to run the affairs of Alaska than the state government
- 53% thought that Alaskans were "basically different" from other Americans
- Only 3% got their information about Alaska first-hand, the rest relied on word-of-mouth or mass media reports (pp. 8 and 9)

Otto Lowe, vice president of Kidder, Peabody and Co., a Wall Street investment firm, was quoted as saying, "it is absolutely critical...for Alaska to put its best foot forward on Main Street . Main Street in the lower 48 was no threat when times were good and when Alaska was perceived to be no more than a vast winter wonderland with dogsleds, igloos, and caribou. As your revenues from oil, however, approach the tens of billions ...it is in Alaska's interest to be perceived as a responsible, understanding neighbor." (p. 9)

The Case Study details the elements of the Communication Program which included an Alaska Information Office in New York, a nationally broadcast television program, editorial visits, and an Alaska Writers Project. The hour-long television program, "The Story At The Top Of The World", was the main product of the Communication Program. The film, narrated by Hal Holbrook, was designed to inform the general public about Alaska in a comprehensive manner. Using historical vignettes, woven into contemporary events, the film conveyed information of Alaska's land and its people. Pre and post program factual and attitudinal surveys are included in the book which show that after the nationally-aired television show, there was an increase in the factual knowledge of Alaska among viewers. The comparison also reported a 21-point drop in viewers overall impression of Alaska. The authors' speculation on the cause of these changes includes a number of rationale for the change.

- The post survey coincided with media reports about an Alaskan salmon botulism threat and about "dividends" paid to Alaska residents.
- The "Realism Effect" may have been operative i.e., as respondents became better informed about Alaska's circumstances and shortcomings (particularly the weakness of its basic services and precarious local economy) their overall impression of the state shifted toward the negative end of the opinion spectrum.

Comparison of Respondents' Factual Knowledge of Alaska

Finding	Percentage of Respondents Who Answered Correctly: Dittman Survey	B.U. Survey	+/- Change
Aware that Alaska is a state	85%	98%	+3%
Aware that Alaska is about twice the size of Texas	66%	71%	+5%
Aware that Alaska's cost of living is a lot higher than that of lower 48 states	58%	71%	+13%
Aware that Alaska's population is about 400,000	9%	39%	+30%
Aware that Alaska's unemployment rate is higher than lower 48 state average	9%	20%	+11%
Aware that no Alaskan oil goes to Japan	16%*	24%	+8%
Aware that Alaska's basic services are far behind those of the lower 48 states	13%	39%	+26%

*This percentage of respondents indicated that less than 5% of Alaskan oil goes to Japan. The Dittman study report did not list the percentage of respondents, if any, who said that no Alaskan oil is exported to Japan.

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"Alms for Alaska", Reprint of editorial comment from Dallas Morning News, Christian Science Monitor, June 29, 1982.

The following editorial is reprinted in its entirety.

Not content to displace our Lone Star State as No. 1 in size, Alaska has now broken ground in another direction: The state is giving away money. The thing is, Alaska has all this money coming in from the oil and gas and the governor wanted to spread it around. The courts held that the spreading had to be done in a non-discriminatory way. Thus was born the 1-man-1-grand plan.

Where does the money come from? Well, it is not quite as free as it looks. It comes, by a roundabout way, from the prices paid for oil and gas by the citizens of the lower 48 states. Now if the Alaskan innovators can just figure out a way to give away money without taking it out of the hides of other citizens first, they'll really have a breakthrough.

"Alaska Leads States In Personal Income; North Dakota Gains", The New York Times, September 12, 1982, p. 35.

"Alaska led the states in per capita personal income last year and Mississippi ranked last, according to figures released today by the Commerce Department.

Gaining fastest was mostly rural North Dakota, which was 25th last year among all states, up from 35th, for an increase of 23.4 percent.

The report said total national personal income in 1981, a year that started with the economy booming and ended in recession, averaged $10,491 for every man, woman and child. That was an increase of 10.7 percent over 1980, slightly above the 8.5 percent inflation rate that department economists estimated for personal spending last year.

Per capita income in mineral rich Alaska, which also ranked first in 1980, rose 8.9 percent. At $13,763, it remained above the $13,539 for the District of Columbia and the $12,816 for the second ranking state, Connecticut.

Mississippi's per capita personal income rose 11.4 percent. But at $7,408, the state retained the last-place ranking it held in 1980. Next to last was South Carolina at $8,039.

In New York State the per capita income was $11,466, up 11.8 percent. New Jersey's was $12,127, up 11.2 percent, and Connecticut's was $12,816, a 11.1 percent increase.

North Dakota's per capita income of $10,213, a 23.4 percent increase over 1980, was by the far the biggest gain."

"Alaska Tops U.S. Income List", The New York Times, May 2, 1983, p. 12.

"Mineral-rich Alaska topped the nation in per capita income again last year, with its residents averaging $15,200, compared with $11,058 for Americans in general, Government figures indicated today.

Residents of Connecticut, with per capita income of $13,687, were second to Alaska's, with the two states keeping their top rankings of 1981. Mississippians were last again, with an average income of $7,792, the Commerce Department reported.

The population as a whole lost a bit of ground to inflation, since prices rose 5.9 percent while per capita income increased 5.3 percent over 1981, the report said. By comparison, income rose 10.7 percent in 1981 while prices rose 8.5 percent, as measured by a personal-consumption-based Commerce inflation gauge.

Among the big gainers in 1982 were Alaska, Vermont, New York, South Dakota and New Jersey. New York's per capita income rose 7.6 percent, to $12,328, and New Jersey's increased 7.2 percent, to $13,027.

The states with the smallest percentage gains were Iowa, Nebraska, Nevada, Whyoming and Michigan"

Zimmerman, Dennis, "The Incidence of the Alaska Oil Severance Tax In An Economy With Widespread Interstate Tax Exportation", Congressional Research Service, The Library of Congress. October 4, 1982.

An erudite analysis of the extent to which Alaska exports its severance tax to other states. The energy-consuming States are concerned that severance taxes are paid primarily by their residents, and that the resulting transfer of funds to the energy-producing states will, in effect, subsidize those states allowing them to provide larger amounts of public services with lower rates on other taxes. Lower rates of tax on individuals and businesses in turn are viewed as giving the energy-rich states a competitive edge in attracting or retaining business activity.

The author examines the incidence of the Alaska oil severance tax and evaluates it in context of the severance taxes levied by Alaska's domestic competitors. He used a complex formula which includes a number of economic factors to determine the fraction of the severance tax which is ultimately passed forward in higher prices.

Zimmerman uses generally accepted estimates of the responsiveness to price change of the demand and supply of crude oil, and reports that if one were to assume that only Alaska levies a severance tax on oil, an estimated 7% of the tax is passed forward in higher prices. But, because Alaska's primary domestic competitors also levy a severance tax on oil, it is somewhat easier to pass the common portion of the tax forward in higher crude oil prices. Accounting for this factor raises the portion of the tax passed forward to approximately 13%. The obverse of this result--the remaining 87%--leads to the important conclusion that most of Alaska's oil severance tax is not shifted forward to energy consumers, according to the author.

Carlson, Euguene, "Alaska Faces Unusual Money Problem", The Wall Street Journal, February 8, 1983, p. 27.

The following article is reprinted in its entirety.

"You can't please everyone, but Alaska came close last year by handing out $1,000 checks to every man, woman and child resident in the state. The money was a portion of the interest that the state earned in the last three years on its $3 billion oil-revenue trust fund. Former Gov. Jay Hammond, a Republican, hoped the dividends would promote private saving and reduce government spending. The ultimate form of revenue sharing, he called it.

But a few Alaskans are grumbling about the dividends. The state's congressional delegation in Washington says the image of a state wealthy enough to write fat checks to its citizens doesn't sit well with colleagues from states that are scraping to make ends meet.

Alaska Rep. Don Young says the federal government last month seemed ready to give its money-losing Alaska Railroad to the state gratis. But when the $1,000 check program was raised during the debate in the House Energy and Commerce Committee, the railroad's price to the state 'went from zero to $500 million overnight.' Rep. Young, a Republican, also says it will be doubly hard now for the state to tap federal housing funds. "The attitude is 'Alaskans can afford their own low-cost housing,' he says."

Wright, Michael, C. Herron & C. Douglas, "It Still Pays to Live In Alaska", The New York Times, June 5, 1983, p. 4.

"A legislative deadline for scrapping Alaska's cash "dividend" program came and went last week, so the state's 450,000 residents are once again in the line for a share of the black gold that's been pumped up from the North Slope oil fields.

Last year, every Alaskan who had lived in the state for at least six months got nearly $1,000, using up almost $480 million of a special oil-tax fund; this year's per-head share will be nearer $350. Governor Bill Sheffield , among other officials, wanted to do away with the giveback altogether, but the Legislature balked. Aside from concerns about Washington cutting back on Federal aid or limiting its authority to tax natural resources, the Governor argued that spending on anything other than such essentials as roads and bridges wasn't smart at a time of dwindling oil revenues. The program's defenders, including Jay S. Hammond, Governor Sheffield's predecessor and an originator of the cash payment scheme, maintained that keeping the money would only lead to make-work and a fatter bureaucracy."

Turner, Wallace, "Voters Fend Off Attacks On Bonus Checks And The Peninsula Sends Up Smoke", New York Times, July 7, 1983, p. B22.

Included in a variety of reports on Alaska, were the following.

"The Alaska Permanent Fund, which cannot be used by the Legislature, now amounts to $4.1 billion. It was created by the state constitutional amendment in 1976 to let the state receive 25% of its oil royalties. A companion statute provides for sharing half the fund's investment earnings with Alaskans who file forms asking for the checks.

After only one recent round of Permanent Fund Dividend checks, some Alaskans have developed a taste for the free money. A sense of outrage seemed to sweep the state in early June over a legislative proposal to use some Permanent Fund reserves to balance the budget. That would have knocked $100 off the $350 checks each Alaskan expected to get. ....

After Governor Bill Sheffield took office in January, he said he wanted to abolish the dividend checks so the state could use the money for other purposes. He got nowhere."

Alaska Railroad

"The 67-year-old Alaska Railroad is about to get a new owner. It will probably be the State of Alaska, which appears to have lost its campaign to obtain the line as a gift. State officials seem reconciled to paying...."

"California Has The Most Residents But Alaska Leads It In Statistics", The New York Times, July 8, 1984, p. 9.

The following is excerpt of the New York Times article.

"Californians take pride in being the state with the most people, but Alaska is No. 1, at least statistically.

The Census Bureau's annual volume the Statistical Abstract of the United States ranks the states in a wide variety of categories, and Alaska wins first place more often than any other state.

Alaska's 14 top rankings lead California's, which is No. 2 with 10 first rankings. Texas trails with 4 firsts, and more than a dozen states collect the prize in 1 or 2 categories.

The statistics cover anything from population to unemployment and from the use of energy to how many automobiles people own.

California is the nation's most populous state, with a population estimated at 24.7 million as of 1982. And California topped the category of expected population in 1990, when the state is expected to have 27.5 million people.

To house all those people, California also has the most housing units, of course. In addition, California has the most people living in urban areas, the biggest farm income, the most college students, the biggest labor force in general and the most manufacturing workers. It also has the highest motor vehicle death toll and is first in the value of goods manufactured.

While California has the most people, Alaska has the least, ranking 50th, and is expected to remain in that place in 1990.

But Alaska is No. 1 in the share of high school graduates and has the highest teacher salaries and the top spending on public schools per pupil and per capita. It also has the most federally owned land, the most Federal aid to governments and the most state aid to local governments.

Alaska's state and local governments spend the most per resident, and Federal spending in Alaska is the hightest on a per-resident basis. Also, its residents receive the highest weekly earnings and its poor families the biggest monthly assistance payments. It has the largest share of families with income of more than $50,000, the most retail sales per capita and the top percentage of export-related workers."

Publicity Report, Summary of Radio and TV Spot Use, Press Releases, Press Clippings, Office of Folklife Programs, Smithsonian Institution, Washington, D.C., 1984.

During June and July, 1984, the 18th Annual Festival of American Folklife was held in Washington, D.C. under the sponsorship of the Smithsonian Institution and the National Park Service. The Festival featured Alaska and helped to celebrate the state's 25th Anniversary of statehood.

Alaska's cultural and occupational traditions were presented by some 90 participants including Indians, Eskimos, and Aleuts. The distinct arts of each of the native groups was demonstrated at the Festival: basketry, beadwork, wood carving, whale bone and ivory carving, snowshoe and dog-sled making, toy and mask carving, mukluk, and parka making, quill work and Chilkat blanket weaving. Performances included Eskimo games, dancing, string/knife storytelling and singing; Tlingit storytelling, singing and dancing; and Athabascan singing and fiddling.

Some Alaskan occupations—logging, mining, fishing, and bush piloting--were demonstrated and discussed. Smoked salmon, fish chowder and sourdough bread were available for Festival visitors at concession stands.

A million Americans personally experienced the variety of distinctly "Alaskan" cultural and occupational presentations. Additionally, a survey of press coverage indicates that media reporting of the event was comprehensive and exposed millions of other Americans to these aspects of Alaskan life. The printed and broadcast media reported the details of the Alaska exhibit in a variety of news and feature articles which were distributed nationwide.

Alaskan Industries Featured Prominently

WASHINGTON (AP) – Alaska's extensive timber, fishing and mining industries are featured prominently at this year's annual Festival of American Folklife, which opened here Wednesday.

The 18th annual festival was kicked off by Alaska's Gov. Bill Sheffield and other officials amid rousing music and dance by Alaskan native dancers and a promise by Sheffield that the 49th state's vast resources are something to be preserved for all people.

"In a world that too often is prone to war and famine, pestilence and disease, my state is something of a haven — and we're proud of it, and we're trying to preserve it, not only for ourselves but for the nation and the world," Sheffield said.

The enthusiastic audience of about 150 included many Alaskans — some of whom were heard to complain about Washington's heat, which climbed well into the 80s during the afternoon.

Sheffield noted that Alaska began celebrating its 25th anniversary as a state in January and would continue the remainder of the year. The festival, he said, is "really the highlight of our silver anniversary."

The annual festival, held each year on the Mall amid the major tourist attractions in the nation's capital, will run through July 1 then again on July 4-8. It is sponsored by the Smithsonian Institution and the National Park Service.

Alaska's exhibits and activities include carvings, weaving, games, work demonstrations by loggers and miners, sourdough recipes and performances by song and dance groups.

Other parts of this year's festival include: Black Urban Expressive Culture from Philadelphia, and The Grand Generation: Folklore and Aging.

Reflector-Chronicle
Abilene, Kansas 6/28/84

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Braunstein, Leslie, "With House Posts, Beads And Blankets Alaskan Natives Bring Traditional Crafts To The Nation's Capital", News Release, Smithsonian Institution, June 14, 1984.

Blackskin, The Tlingit Indian of legendary strength, will be seen in Washington, D.C., this summer, tearing apart a sea lion. He will undoubtedly attract a lot of attention, being the subject of an 8-foot cedar totem pole to be carved and painted on the National Mall. The two carvers, Wayne Price and Will Burkhart of Wrangell, are among the Alaskans participating in the 18th annual Festival of American Folklife sponsored by the Smithsonian Institution to be held June 27-July 1 and July 4-8.

Several of the native Alaskan crafts to be demonstrated at the festival are those of the Tlingits. This Indian group communicates its legends and symbols through a variety of crafts, including beadwork, complex weaving and carved house poles. Woodcarver Wayne Price, known among the Tlingits as Eagle Wolf Shark, began working in the craft 15 years ago at the age of 12. He still enjoys telling the story of Blackskin. "This story comes from the village of Kake, and Blackskin was a real person. He was ridiculed because he would not work and was made to sleep by the fire without a bed. He rolled in the ashes and his skin got black, and that's how he got his name.

He slept all day because he was training all night," Price continues, explaining that traditional Tlingit strength training for males was "tougher than the marines. If you were weak, you would die." One day Blackskin and his cousins went out to kill sea lions with their bare hands: A Tlingit test of strength. His two cousins were killed by the animals, and then Blackskin punched one sea lion in the head and killed it," Price says. "Then he grabbed another sea lion by the tail and pulled it in half."

The house pole, showing Blackskin standing on a rock and ripping a sea lion in two, will be finished at the festival and donated to the Smithsonian. Price points out that much of his carving displays the symbols of the two main Tlingit clans—the Eagle and the Raven—and the clan houses, Bear, Wolf, Killer Whale, Frog, Dog, Salmon and Beaver. These animal symbols also are woven into ceremonial Tlingit blankets from the Chilkat area. Traveling to Washington to talk about these complex weavings will be 92-year old Jennie Thlunaut of Klukwan, said to be the last remaining master Chilkat blanket weaver.

"We've identified 33 blankets that she made," Thlunaut's grandaughter, Rosita Worl, publisher of Alaska Native News, says. "But the irony is that she doesn't own a single one herself." Until her eyesight failed a few years ago, Thlunaut made blankets for museums, corporations and individuals. Each blanket took at least two years to complete and is worth up to $20,000 today. Traditional Chilkat blankets are spun, dyed and woven by hand, all of natural materials. The warp is made of cedar bark and soft mountain goat wool spun together. The weft is mountain goat wool, spun to a particular thickness for each type of design. The blankets contain three colors: black, yellow and blue-green.

To make their natural dyes, according to Thlunaut's "adopted grandaughter," Julie Folta, Tlingit women used urine as a mordant. "The amonia content of the urine opened the fibers so that they would absorb the dye," Folta explains. Hemlock bark boiled in urine and then dyed in an iron solution resulted in black dye. Wolf moths boiled in urine yielded bright yellow dye. The source of the blue-green color may have been copper sulfate or indigo, Folta says. Today, the weavers use commercial colorfast dyes. "The blankets told the history of the clan and were used ceremonially," Folta notes. "Sometimes they were used for comforting when there was a death. The blankets would bring the spirits of other clan members nearby."

Also representing Tlingit artisans in Washington will be 77-year-old Ester Littlefield of Sitka, who makes traditional beaded costumes. "A lot of our people have sold our costumes to collectors," she says. "I help people make robes, moccasins and other things to replace these clothes. I will bring a robe with a raven design on it to Washington," Littlefield promises. "Ravens represent our clan. My great-grandfather the warrior wore a raven hat when he defended our people against the Russians. The Russians slaughtered our people, but none of our people were taken as slaves."

Teaching at a local junior college and working for the National Park Service, Littlefield meets people from all over the world. "Many people do not know that there is a beautiful culture here," she says. It is this culture that she will represent at the folklife festival.

The Festival of American Folklife is produced each year by the Smithsonian's Office of Folklife Programs and the National Capital Region of the National Park Service. Funding for the Alaska

program at the 1984 festival has been provided by the State of Alaska Department of Commerce and Economic Development through its Division of Tourism and the Alaska Seafood Marketing Institute. Additional funding has been made available through private and corporate donations.

Alaska's Folk Traditions, Music And Dance From Philadelphia And The Folklore Of Aging To Be Featured At Smithsonian's 18th Annual Folklife Festival

The native - American, ethnic and occupational traditions of Alaska, the rich musical and dance culture of urban Philadelphia, and the generation - spanning continuity provided by the aged in all cultures will weave together an exciting tapestry of events for visitors to the 18th annual Festival of American Folklife on the National Mall in Washington, D.C., this summer, June 27 through July 1 and July 4 through July 8.

This nationally popular outdoor event, sponsored by the Smithsonian Institution and the National Park Service, takes place under tents and on stages set up on park land along Madison Drive N.W. between the museums of American History (at 14th Street) and Natural History (at 12th Street). Events will be held from 11 a.m. to 5:30 p.m.; two evening concerts are planned as well.

Fieldworkers are currently carrying out research in the settled areas of Alaska's 586,400 - square - mile territory that will result in the selection of festival participants from the state's varied populations. These peoples include Indians, Eskimos, Aleuts and several large settlements of other ethnic groups, including Philippine, Korean, Latin American, Norwegian, Laotian and Thai communities. Folklorists also are studying the rugged work traditions that help support and increase the 49th state's growing population.

Alaska's rich native craftmaking customs — ivory carving, beadworking, basketweaving and dollmaking — will be featured in demonstrations and a sales tent. Native-American and ethnic music and dance will be performed, and visitors will be invited to join in some traditional games.

In addition, festival planners hope to re - create in the nation's capital some of Alaska's time - honored occupational practices. Loggers, miners, bush pilots and fishermen will be on hand to demonstrate their skills and to tell the jokes and legends that abound among their colleagues.

Funding for the Alaska program has been provided by the state of Alaska Department of Commerce and Economic Development through its Division of Tourism and the Alaska Seafood Marketing Institute. Additional funding has been made available through private and corporate donations.

Also spotlighted at the festival will be black expressive culture from Philadelphia, from blues to gospel, tap-dancing to street drills and rapping to traditional humor. Newly celebrated in the performances of superstar Michael Jackson, complex dance routines have a long history in the urban black community, beginning with tap-dancing in the 1920s. Festival visitors will be able to watch Philly artists perform tap-dancing and such contemporary styles as "GQ" and "popping."

Urban musical traditions, with their roots in the blues, also will be represented by Philadelphia vocal and instrumental musicians performing gospel, jazz and a cappella doowop.

In addition, the verbal artistry of urban street culture will be demonstrated by Philly-based performers whose staccato rhyming lines are trippingly spoken over a recorded musical track. Their "rapping" began on street corners and at house parties, but has been elevated to a paid profession practiced by recording artists and radio disc jockeys.

A third festival feature, honoring the tradition - bearing role of elderly people, will be drawn from many cultures, including black, Appalachian, native American, Italian, Chinese, Vietnamese and Eastern European. Craftspeople and performers, whose years of experience inspire new generations still discovering their own forms of creative expression, will be on hand to demonstrate and discuss their work.

Using the interview and discussion techniques that have made the Folklife Festival famous, family groups, individual participants and festival visitors will have the opportunity to explore together the cross-cultural roles of the aging in society as well as the parts of played by occupation, ethnicity and religion in defining those roles.

"The Grand Generation: Folklore and Aging" has been made possible through the generous support of the American Association of Retired Persons in celebration of 25 years of service to older Americans, the Atlantic Richfield Foundation and the National Institute on Aging, National Institutes of Health.

Hungry visitors will be able to lunch on delectable Alaskan seafood and sample the down-home goodness of Philadelphia soul food, all for sale at the festival site.

Admission to the festival is free.

The Festival of American Folklife was established in 1967 to onor exemplary practitioners of folk traditions and to educate visitors about these folk artists and their work. Since then, it was presented some 11,000 craftspeople, musicians and dancers to more than 14 million festival visitors.

The first 10 festivals, including the 12-week U.S. Bicentennial event, were held in the summer — the first six of those (1967-1972) on the site now being used, outside Smithsonian museums. From 1973 through 1976, the event was presented in the area of the reflecting pool between the Lincoln Memorial and the Washington Monument. The next four festivals (1977-1980) were held during October on the grounds of the Washington Monument at 14th Street and Constitution Avenue N.W. In 1981, the festival, held once again on the Washington Monument grounds, returned to summer, over the July 4 holiday. And in 1982, the event returned to its original site.

The festival is planned and produced by the Smithsonian's Office of Folklife Programs and the National Capi Region of the National Pa Service. Most of the insti mental music at the festiva supported by the Music P formance Trust Funds, non-profit organizati created by the U.S. record companies to fund live a free performances.

Mississippi Enterprise, June 2, 1984

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Chrysler, K. M., "Alaskans' Uphill Struggle With Instant Wealth", U.S. News And World Report, Vol. 96, August 8, 1983, p. 31.

Chrysler reports on the status of the Native Corporations and their foray into capitalism. The Alaska Native Claims Settlement Act of 1971 gave native Alaskans almost 1 billion dollars and 44 million acres of land rich in timber, oil, coal and other natural resources. Twelve regional corporations and 200+ village corporations, each with a share of the money and land, were organized in the state. The corporations embarked on business ventures — construction, cable TV, hotels reindeer herds, fish processing, timber, trailer sales, banking, barging, oil-field drilling and catering -- with little formal preparation and with corporate guidance by some questionable consultants. " 'Every phony in the U.S. came to Alaska to take advantage of the natives,' explains Alex Raider, the non-native president of Calista Corporation."

Many of the Corporations have experienced huge financial losses. " 'As of now, the experiment with corporations is a miserable failure that has ruined a lot of native leaders who see themselves as politicians, not businessmen,' reports Eugene Erskine, a non-native who is president of United Bank Alaska, owned by several native corporations."

Social ills have accompanied the Settlement implementation. Heart disease and hypertension rank second to accidents as a cause of native deaths. The suicide rate is three times the national norm and life expectancy seven years less than the U.S. average. Alcoholism is pervasive and few natives finish college.

Additionally, there is the fear that in 1991 when the corporate shares may be sold to non-natives, outsiders will attempt a 'take-over'. " 'The Japanese would love to buy Alaska, ' says Dr. Ted Mala, an Eskimo physician. 'It's very scary.'"

The article ends on a positive note with the indication that a people who have survived for 10,000 years in this "rugged land", will have the will to survive through contemporary happenings.

Fallows, James, "Nigeria Of The North", Atlantic, Vol. 254, August, 1984, pp. 18 - 22.

The author relates Alaska's economic history to that of Nigeria. After detailing the financial impact of the Prudhoe Bay find, trans-Alaska pipeline, the passage of the Native Claims Settlement Act, and the capital-spending boom, the author asks if Alaska will now "go broke." He suggests that Alaskans have two factors in their favor.

1) Anchorage has finally reached the critical size at which it can generate its own demand and support its own enterprises. Instead of merely importing finished equipment and exporting oil, gold, and fish, Anchorage now has small factories producing some of the manufacturing supplies and consumer goods which once came from Outside. Additionally, it appears that only 1/4 of the new nongovernmental jobs created since 1973 were directly tied to oil with the rest in finance, services, tourism, manufacturing, and other fields typical of a diversified economy.

(2) The characteristics of the "immigrant" who comes to Alaska would seem to be an asset, according to the author, who comments on the vitality and youth of the state's residents. There are those who see Alaska as a land of opportunity and those who view it as a place to escape from problems. The result is a group of "ferocious individualists", bent on fending for themselves and scornful of socialist coddling who have, nonetheless, found themselves with an economy which is state-government dependent.

The article catalogs the benefits Alaskans receive: no personal income tax, no sales tax, student loans, Pioneer homes, credits for political contributions and child care expenses, and the Permanent Fund dividends. Fallows then challenges Alaskans to "figure out how to pay their way. In the U.S. Congress strong men quake at the task of reducing benefits we can no longer afford. Alaska will soon face that task. If its people, so inventive and optimistic, accomplish it, they will have something to teach not merely the other oil baronies but also their fellow citizens Outside." (p. 22)

"Alaska's Senators Muddy the Water", The New York Times, October 3, 1984, page 30.

Editors of the Times decry the efforts of Alaska's two Senators to get an extension of a waiver of the Clean Water Act which would allow "two polluting mills....use of inferior pollution-control equipment." They report that the Senators are "acting in contempt of national needs" by not supporting immediate passage of the bill.

They claim the two pulp mills have had 7 years to comply with the Clean Water Act and that the mills are already a burden on the taxpayers as they operate with federally subsidized timber. According to the Congressional Research Service, the Forest Service loses $171 for every 1,000 board feet sold to the mills.

The editorial asserts that "if Alaska wants to operate uneconomical mills, the state government can well afford to subsidize the mills out of the surpluses it's already been handing out to its citizens."

The article generated the following response in defense of the actions taken by the Senators. (New York Times, October 3, 1984. p. 26.)

TWO SENATORS DEFEND EFFORT TO PROTECT AN ALASKAN INDUSTRY

To the Editor:

We placed a hold on the Clean Water Act, trying to prevent it from coming to a vote on the Senate floor until our amendment was considered ("Alaska's Senators Muddy the Water," editorial September,28). This is a method with which editorial writers at The New York Times should be familiar, since it is the same one employed earlier this year by members of the New York Senate delegation. They did so to secure a waiver and new compliance schedule for changes in the New York sewage system so it can continue dumping raw sewage into the ocean.

Over the past decade, pulp mills throughout the Pacific Northwest, from Oregon to Alaska, have invested heavily in pollution-control equipment. In fact, Alaska's mills have spent almost twice as much to protect the environment as their southern counterparts.

The Alaska Department of Environmental Conservation, our state's E.P.A. equivalent, says that what E.P.A. wants the mills to do would not improve water quality but would cause air-pollution problems because the sludge created by the process would have to be burned. E.P.A. refuses to address that issue.

For seven years, the E.P.A. and the two Alaska mills agreed that conditions in Alaska required an exception. Our mills - the only two in Alaska - are situated in a remote, mountainous region which prevents the disposal of treated waste in a landfill (the customary method employed throughout the country). It also requires the mills to generate their own power.

A year ago, E.P.A. Region 10 reversed its position for no apparent reason, following a change in regional directors. This capricious decision, if left to stand, would not only herald the end of the southeast Alaska pulp industry and the two communities it supports, it would mean the end of the timber industry in Alaska.

Our amendment requires that a study be conducted, taking into account all that has been done to date and Alaska's unique effluent-abatement cost requirements. E.P.A. would resolve the issue based upon the results of the study.

The ITT Rayonier company claims it faces unfair competition from our amendment. That is not true. ITT Rayonier in the United States does not compete with Alaska pulp mills. It produces a wholly different pulp product. If ITT Rayonier competes with our Alaska mills, it does so through a Canadian-owned mill in Port Alice, B.C., for which it markets pulp in Japan. That mill does not comply with U.S. standards.

The 1980 Alaska National Interest Lands Conservation Act, as a means of preserving wilderness—not underwriting the timber industry -- provides the Tongass Forest in southeastern Alaska with $40 million annually to increase timber production on lands not withdrawn for wilderness. The fund is not an expense of timber activities in Alaska; it is a Federal payment to support the wilderness system. The faction that asked for the provision — the environmental community — now criticizes it.

We want a clean water bill. But we insist our Alaskan industry be treated fairly. Is that too much to ask?

(Senator) Frank H. Murkowski
(Senator) Ted Stevens
Washington, October 1, 1984

Passell, Peter, "The Taxpayer: Cowed In Alaska", The New York Times, August 20, 1984, p. 28.

Passell editorializes on the theme that "where there's a government subsidy, there's a way" in regard to farming in Alaska and suggests that the state remove itself from the business of agriculture. He identifies the ways in which the state currently subsidizes farming in Alaska: Agricultural land sold below market value; state loans of up to $1 million for livestock, buildings, milking machines, etc; and state-subsidized power lines to operate the electrical equipment needed for farming.

Currently, Alaska has 100 full-time farms and must import all but 5% of its food. Passell says that, in time, "if the state has its way, every last square foot of its 2.5 million arable acres will be planted in something edible—so Alaskans can eat just in case all air, land and sea links to the rest of North America are severed."

"Student Financial Aid Programs" Annual Report 1983-84, Alaska Commission on Postsecondary Education, State of Alaska.

The State of Alaska provides student financial assistance for postsecondary study through three programs: the Alaska Student Loan Program, the WICHE Student Exchange Program, and the State Educational Incentive Grant (SEIG) Program. The three programs provide Alaskans with access to postsecondary education which otherwise might not be available. Through the loan and grant programs direct financial assistance is awarded to students in an effort to remove or lessen financial barriers to postsecondary education. Through the student exchange program, Alaskans have access to graduate, professional, and highly specialized fields which are unavailable in-state. This report briefly summarizes each of these programs and the participation levels for 1983-84.

During the 1983-84 school year, 14,785 loans were finalized under the Alaska Student Loan Program and used for postsecondary attendance. The average loan award, which has continued to rise since the Program was initiated in 1971, was $4,171.00 for undergraduate study and $5,097.00 for graduate work. The Student Loan Program has the most substantial financial impact on the state's treasury with a total of $212,218,037 loaned to student participants of the Program in 1983-84. The WICHE Student Exchange Program support costs for the same year were $1,591,440 and the total amount of the Educational Incentive Grants was $189,000.

Dickey, Don, Director of Tourism. (Interview - July 15, 1985)
Reinwand, Debbie, "Tourist Trade Booms In State", Alaska: Reflections On The Future, Special Edition, Juneau Empire, 1984, pp. 7 & 8.

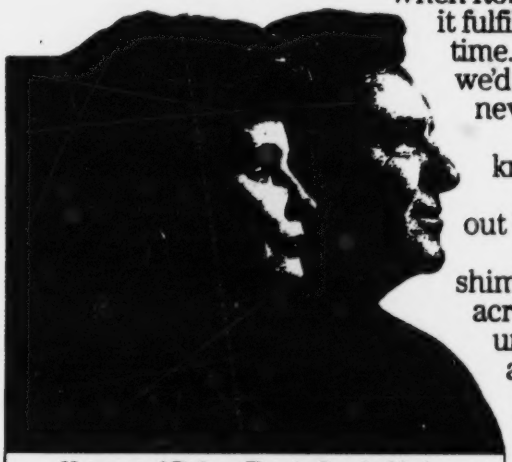
Tourism is a major and growing industry in Alaska. The number of visitors to the state tripled between 1975 and 1981 along with the money spent. In 1983, 730,000 visitors spent approximately $510 million on their trips to the Great Land.

Anchorage capitalizes on events to help focus tourist interest in the state. The Gerry Cooney-Philip Brown title fight, Fur Randezvous, Iditarod, Great Alaska Shootout, and hockey tournament are the type of activities which attract visitors to the state's largest city during the winter, the off-season time for tourists, and help to generate national media attention.

The Division of Tourism has on-going advertising efforts (the most recent one cost $4 million) to help promote tourism. Don Dickey reports that the primary problem faced by those who promote tourism in Alaska is one of image. People think of the state as cold, too large for reasonable access, and exclusively for those who like the outdoors. The promotional campaigns which have been developed have been designed to specifically meet these concerns.

While the "typical" Alaskan tourist is older, over the age of 40, and has a high income, the state is being "marketed" to appeal to a broad spectrum of individuals. The state's diversity is emphasized with "comfort zones", areas where one can find the amenities of urban life, advertized along with adventurous activities like mountain and glacier climbing, helicopter sightseeing, and gold panning. "The concept of Alaska as a place to discover oneself, away from the maddening crowd," is part of the current tourism campaign, according to Dickey.

KAREN TRAVIS' ALASKA JOURNEY.



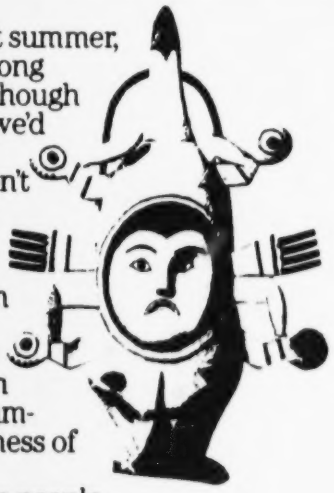
Karen and Robert Travis, Sandy, Utah

When Robert and I went to Alaska last summer, it fulfilled a dream we'd held for a long time. The funny thing was, even though we'd traveled all over the world, we'd never been to Alaska.

Now, looking back on it, I don't know why we waited so long.

So much of Alaska stands out in my mind.

I think of watching the moon shimmering a magical reflection across miles of still water. The untouched beauty spreading in all directions. The gigantic summer blossoms. And the richness of the native art and culture.



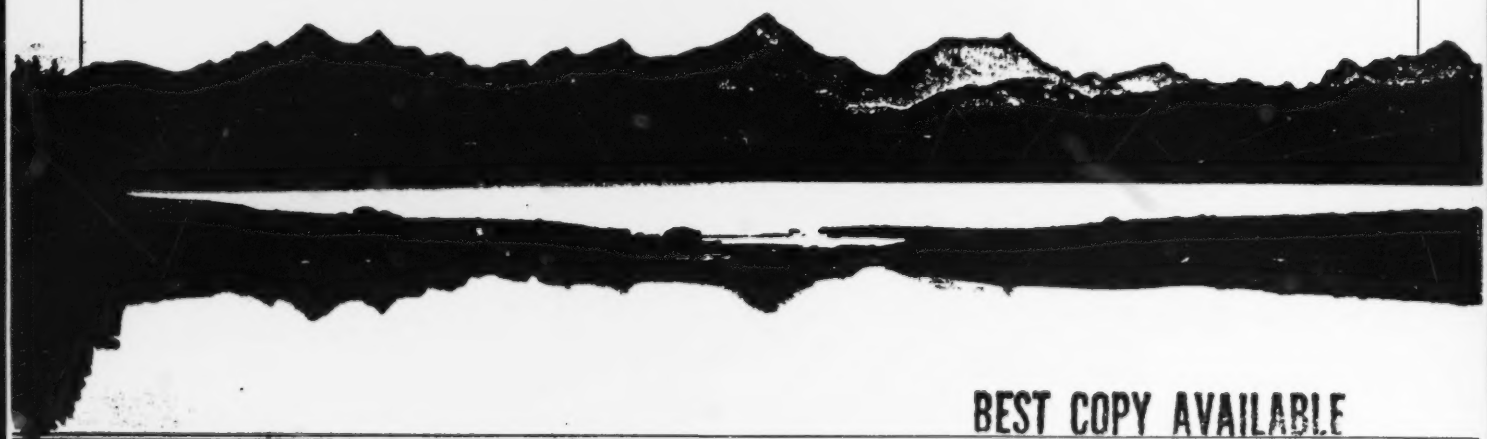
But mostly, I think of the people. So friendly. So open. So free with their time. The spirit there is so fresh and alive. Robert is sure that kind of pride and spirit is what our grandparents must have felt years ago.

I think the hard part about dreams that stay with you is when they finally come true, they are oftentimes disappointing. But not Alaska.

All I can tell you about our Alaska dream is that it's more alive than ever now. And we've already begun plans to go back and live it again.

To send for your free Alaska Vacation Planner, write to: Alaska Division of Tourism, Pouch E-648, Juneau, Alaska 99811.

Once you've gone to Alaska, you never come all the way back.



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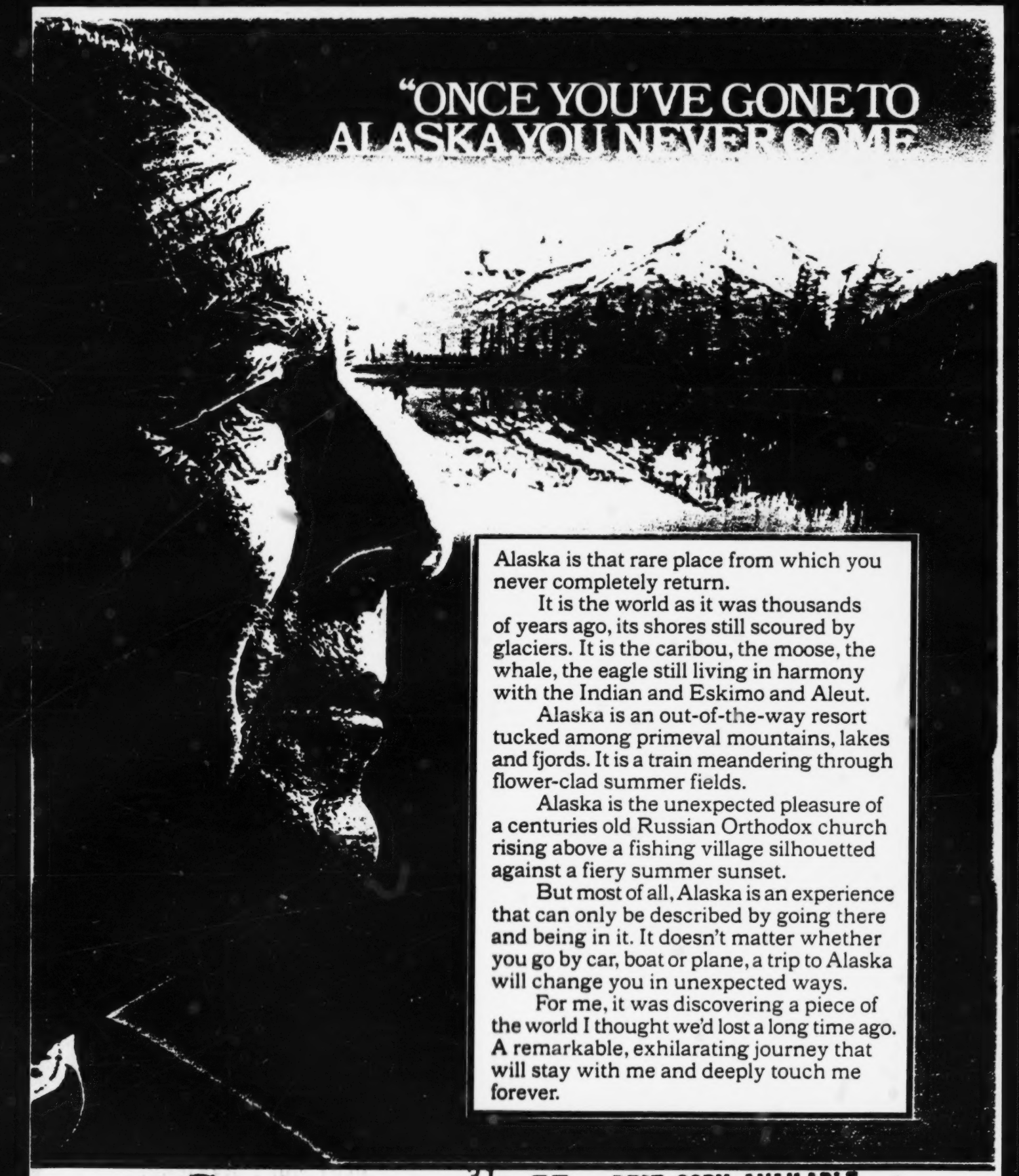
A L A S K A



Alaska is that rare place from which you never completely return.

It is the world as it was thousands of years ago, its shores still scoured by glaciers. It is the caribou, the moose, the whale, the eagle still living in harmony with the Indian and Eskimo and Aleut.

Alaska is an out-of-the-way resort tucked among primeval mountains, lakes and fjords. It is a train meandering through flower-clad summer fields.

Alaska is the unexpected pleasure of a centuries old Russian Orthodox church rising above a fishing village silhouetted against a fiery summer sunset.

But most of all, Alaska is an experience that can only be described by going there and being in it. It doesn't matter whether you go by car, boat or plane, a trip to Alaska will change you in unexpected ways.

For me, it was discovering a piece of the world I thought we'd lost a long time ago. A remarkable, exhilarating journey that will stay with me and deeply touch me forever.

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"Bid For The 1992 Olympic Winter Games", Anchorage Organizing Committee for 1991, May 31, 1985.

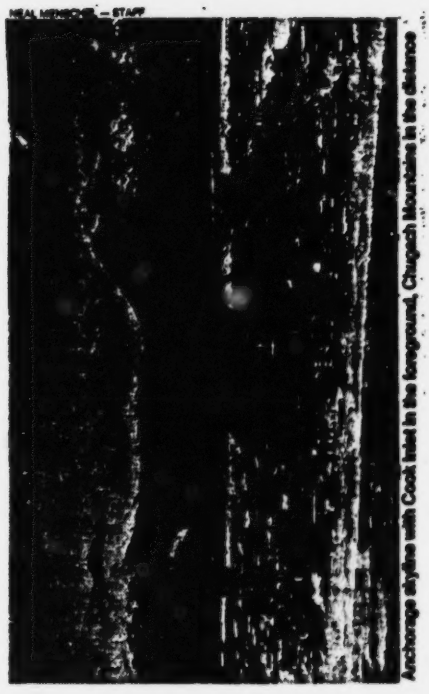
The Municipality of Anchorage proposes that the 1992 Olympic Winter Games be held in Anchorage pledging a "financially sound" event financed entirely "through the private sector, incurring no expense to the Olympic or governmental entities."

The Committee "sells" Anchorage by capitalizing on some of the facts which have traditionally worked to the state's disadvantage:

- Anchorage's central global location, a mid-stopping point for international flights on the Trans-Polar and Great Circle air routes, makes it an ideal entry point into the United States from Asia and Northern Europe.
- The Anchorage climate is conducive to participation in outdoor winter sports. The average temperature is 17.7 degrees F. and sunny; the average snowfall is 12.3"; and functional daylight during the Olympic schedule would be about 11 hours a day.
- The Committee touts Anchorage's access to a variety of world-renowned entertainers and artists presenting the city as a center of "culture in the midst of a celebrated wilderness."
- While removed from the contiguous 48 states, Anchorage has "state of the art" communications and guarantees live broadcast feed, via the Alascom satellite, to other countries. Alaska's time zone is presented as a broadcasting "plus" for the Olympics.

'Mystique' helped Anchorage win games bid

The Seattle Times, June 18, 1985. p. G3.



Anchorage skyline with Cook Inlet in the foreground, Chugach Mountains in the distance

SEATTLE (AP) — The city of Anchorage won the U.S. bid to host the 1992 Winter Olympics by focusing on the mystique of Alaska and the practical details of running a major sporting event, says the man who headed the effort to lure the international games.

"The first thing we focused on was dismissing the misperceptions of Alaska — that it's too dark, too cold and too far away," Rick Mystrom said Monday, describing his group's presentation to the U.S. Olympic Committee.

That presentation was made over the weekend in Indianapolis, where Anchorage beat out Salt Lake City, Reno and Lake Placid, N.Y., as the U.S. nominee to the International Olympic Committee.

Mystrom, owner of an Anchorage advertising company, heads the Anchorage Organizing Committee, which put together $270,000 in donated time and money to make its winning bid. Members of the committee stopped in Seattle Monday on their way home to Anchorage.

The group's bid before the international committee, which Mystrom estimated would cost $1.5 million, will pit Anchorage against the European cities of Sofia, Bulgaria; Falun, Sweden; Lillehammer, Norway; Cortina, Italy; and Berchtesgaden, West Germany. That presentation, which will determine the final winner for the 1992 games, will be made in October.

In addition to dispelling myths about the 49th state, Mystrom said, the Anchorage residents pointed out to the committee that Anchorage is equal traveling distance from European and Asian points; that 84 percent of its residents supported hosting the Olympics, according to a poll; and that it is in an excellent location for television coverage of the games.

An event taking place at 4 p.m. in Anchorage, for example, can be shown live on the U.S. East Coast at 8 p.m.

Key to the presentation, he said, was a slide presentation that Mystrom said conveyed the "mystique of Alaska."

The 1988 winter Olympics will be held in Calgary, Alberta, and Mystrom agreed there may be some pressure to move the games out of North America to Europe in 1992.

But he noted that Anchorage already has many of the facilities required to host the games. Of only five Olympic-sized ice-hockey rinks in America, he said, three are in Anchorage. Olympic alpine skiing requires an 800-meter drop; a ski area with a 900-meter drop is just 35 minutes south of Anchorage, he said.

Anchorage does not yet have facilities for ice skating, ski jumping or bobsled and luge competitions, although Fairbanks is beginning construction on facilities for the latter.

He said the Olympics likely would bring in 60,000 visitors, compared with 30,000 on an average summer week in Anchorage. But he said the city would be "real close" to being able to accommodate the extra influx by 1992.

In addition, he said, the committee estimates that the anticipated $260 million in revenues during the games would leave between $59 million and $109 million in surplus, of which the city would get one-third.

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Deseret News, Salt Lake City 6/18/85

S.L. didn't have moose's chance for Games

By Chuck Gates
Deseret News staff writer

Any connection between Salt Lake City's not having a dancing moose and its failing to gain U.S. Olympic Committee approval is purely coincidental.

The harsh reality of the matter is that Utah Olympic boosters could have taken the Mormon Tabernacle Choir with them to Indianapolis last weekend, and Salt Lake City still wouldn't have been the USOC's choice to compete internationally to host the 1992 Winter Games.

With the aid of 20/20 hindsight, a crystal-clear picture is beginning to emerge for local Olympic organizers: Anchorage, complete with its dancing mascot and influential U.S. senator, had the inside track to get the USOC's nod all along.

While a dancing anything couldn't have hurt, what Utah organizers really needed was a primer in Olympics politics.

Lesson one: Favors. Favors are very important in Olympics politics. While the USOC didn't owe Salt Lake City anything, it did owe Anchorage something. More correctly, it owed Alaska's Sen. Ted Stevens something.

Although no one will come out and say it, speculation is that Stevens was the single biggest factor in getting the Games for Anchorage. Stevens' ties with America's Olympic movement dates back to his sponsoring the Amateur Athletics Bill of 1978. He came to the aid of the Olympics again in 1980, when he was an outspoken critic of the United States' boycott of the Summer Games in Moscow.

More than a few observers think Stevens, who helped deliver Anchorage's bid, cashed in the IOUs he was holding to get the USOC's seal of approval for Anchorage.

This line of thinking is further supported by the fact that former Olympic swimmer Donna deVarona, who was once employed as a liaison between Stevens and the USOC, gave an impassioned 20-minute speech behind closed doors on behalf of Anchorage before Saturday's vote.

Lesson two: Olympic rules. Olympic rules are apparently made to be broken. While organizers in Salt Lake City and Reno-Tahoe didn't understand this, boosters from Anchorage and Lake Placid did.

"We were naive," admitted one member of the Salt Lake Winter Games Organizing Committee. "We thought you played by the rules. The rules said no direct lobbying of USOC members, and we honored the rules. But we learn that Anchorage had a direct mailing go out to all USOC members and that Stevens contacted upwards of 40 delegates."

Tom Welch, chairman of the Salt Lake Winter Games Organizing Committee, said, "If we did one thing wrong, we followed the rules too closely." He said Anchorage and Lake Placid lobbied USOC members directly — contrary to USOC rules.

Lesson three: Promise the world. Salt Lake organizers are convinced they had the best sites for hosting the Games. What they didn't have was the best promises.

Part of Anchorage's success can be traced to its ability to convince the USOC's member-athletes that oil-rich Alaska can deliver on promises to build a world-class winter sports training facility in the West, similar to what has already been built at Lake Placid.

Lake Placid also tried to sell member-athletes on the idea of upgrading and expanding its existing facilities.

It wasn't until late in the game that Utah organizers realized this was what the USOC wanted to hear. They did make a small change in their presentation to include a vague reference to plans to build a $13 million Olympic village

See MOOSE on B-3

Moose might help

Continued from B-1

to serve as housing for a Salt Lake-based winter sports training facility. But it was too little, too late.

Utah organizers also challenge the reliability of Anchorage's budget, which shows projected expenses of $200 million, vs. projected profits of $260 million.

"I'd like to see Anchorage hold the Games on the budget they're proposing," said Neil Richardson, a consultant who helped prepare Salt Lake City's bid.

For example, Richardson said, Anchorage's projected costs for feeding and housing athletes and security for the two-week winter sports festival are unrealistic. Anchorage budgeted $1.4 million for feeding and housing athletes and $8 million for security. By contrast, Salt Lake organizers allotted $30 million for food and housing and $38 million for security.

Lesson four: Hired guns. The quality of sites offered by competing cities is of little consequence. Any bidding city has sites or can promise to build them. The lobbying effort is far more important.

Anchorage and Lake Placid had big-name politicians associated with their efforts. Anchorage had the aforementioned Senator Stevens, while Lake Placid boasted Gov. Mario Cuomo in its corner.

In retrospect, local Olympic boosters realize they erred in not having their own big political guns, Sens. Jake Garn and Orrin Hatch, both R-Utah, more deeply involved in the bidding effort. It's felt their presence might have helped offset Stevens' influence.

Lesson five: It's never over till its over. Although Indianapolis was a harsh lesson in reality, it may not be the end of Utah's Olympic movement.

Welch said USOC support of Anchorage could theoretically end in October 1986, when the Alaskan city makes its pitch for 1992 to the International Olympic Committee in Lausanne, Switzerland.

If Anchorage is unsuccessful, which most observers anticipate, the race for the USOC's nomination in 1996 might become another mad scramble. Local organizers say an unwritten policy that the USOC will stand behind its current American nominee can really be substantiated historically.

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"Alaska Is Buying Federal Railroad," New York Times, January 7, 1985, p. 17.

On January 5, 1985, ownership of the Alaska Railroad was transferred from the federal government to the state of Alaska for the sum of $22.7 million. The purchase marked the end of discussions begun in the late 1960's when the federal government began talking of disposing of the railroad in the wake of the major oil discovery at Prudhoe Bay when it appeared that a long-term economic boom would encourage private operators to acquire the railroad.

Because the railroad had enormous operating costs, relatively small and limited markets , and aged rolling stock and tracks, no private business interest ever materialized. But the idea of a transfer was revived in the late 1970's when the state began to profit from oil tax revenue and royalties. It wasn't until 1983 that President Reagan signed the Alaska Railroad Transfer Act which authorized the Federal Railroad Administration to sell the state the railroad and all its holdings, including 40,000 acres of rights-of-way and other real estate. The act specified that the state agree to pay fair market value for the railroad, keep it in operation, and meet a host of other conditions.

The state originally said it should not have to pay anything for the railroad but members of Congress insisted on some payment. In the face of implicit threats that the federal government would shut down the railroad, Alaska politicians and businesses served by the railroad supported a proposal for state takeover and the legislature authorized purchase in 1984.

The rail line made money in the 1970's when it carried materials and workers for the construction of the pipeline linking newly discovered oilfields of Prudhoe Bay to the southern port of Valdez. But for most of its existence the railroad has run in the red; its passenger operations leave it with chronic operating deficits of about $3 million to $5 million a year. Nevertheless, the article reports that the railroad is cherished in Alaska for the part it played in developing the central area of the state. Outsiders, approximately 200,000 a year, ride the railroad to Denali National Park.

Ramseur, David, "Views of What's News Makes Alaskans Lose", Daily News-Miner, June 9, 1985, 1985, p. B-11.

A Washington correspondent for the Fairbanks paper writes a farewell column from the nation's capital as he is transferred back to Alaska. Ramseur's departure leaves the state with two print news services, neither staffed by Alaskans, which would only be working part time on Alaskan issues. The author decries this situation and places the responsibility on Alaska's residents.

"Newspapers are like politicans— sensitive to their constitutents, or readers in this case. So pressing local concerns such as midwifery and truck weight, as evidenced by the flurry of letters to the editor of late on those subjects, often push other issues aside.

This latest move appears to be part of a growing trend toward Alaska provincialism. The Anchorage Daily News, which periodically has stationed fulltime correspondents here, closed its latest bureau last year.

In all of Alaska's major newspapers, stories on issues beyond the state's borders seem to be buried deeper and deeper.

The "we don't care how they do it Outside" attitude of which Alaskans are proud may have been justified 25 years ago when the territory was making transition to statehood.

But today Alaska is a fullfledged partner in the United States and not all that different from the Lower 48. Alaska's representatives in Congress have been rudely awakened to that fact in recent years as their efforts to win unique exemptions for Southeast timber mills and special hardship education aid for the North Slope Borough have been rejected by the federal government."

Ramseur identifies the specific actions pending before Congress in which Alaskans have a major stake.

- President Reagan's 1986 budget and tax reform proposal
- First major changes to the 1991 Alaska Native Claims Settlement Act
- OCS revenue sharing

The author acknowledges the presence of the Congressional delegation's "public relations apparatus: which is "fine-tuned to a science," but says that the public misses much of what is really happening in D.C. without press coverage.

Wells, Ken, "Scandal Give Eskimos Quick, Painful Lesson on 20th-Century Ways", Wall Street Journal, June 2, 1985, pp. 1 & 15.

The North Slope Borough is shaken by a scandal involving a billion-dollar plus public works program, huge fees and construction contracts for outside consultants. Eugene Brower, an Inupiat and the borough's former mayor, is the target of a federal grand jury investigation into the misuse of funds. Allegations are that there were violations of federal fraud and extortion statutes. The investigation stems, in part, from an audit of the final days of Brower's administration during which $15 million in contracts was awarded to consultants who had contributed large amounts of money to Brower's unsuccessful reelection campaign.

The North Slope Borough was incorporated in 1972 specifically to create a local government entity which could tax the oil industry there. Vast tax wealth has been used to provide a wide range of services in the Borough as well as to buy the service of high-powered lobbyists and consultants.

The author gives extensive background on the political events leading up to the scandal and intersperces information on the cultural gap which exists in the North Slope Borough, and specifically in Barrow, which is a modern city inhabited predominantly by Eskimos with traditional values. Brenda Itta, a Barrow-Inupiat who helped form the North Slope Borough, is quoted as saying, "This system of government that we have was not born of the Inupiat culture. We saw it as a way to protect our land and our environment and get taxing powers. But in truth, there aren't so many of our people who have had a vision of both worlds."

Wall Street Journal, July 5, 1985, p. 26.

Alaska's Governor Is to Face Hearings On His Impeachment

Special to THE WALL STREET JOURNAL

ANCHORAGE, Alaska—The state Senate will convene in a special session July 15 to begin impeachment proceedings against Gov. William Sheffield, accused in a grand jury report of steering a $9.1 million state office lease to a political supporter.

Meanwhile, his chief of staff, John Shively, offered to resign after testifying before the grand jury against Gov. Sheffield; the governor refused to accept the resignation.

The 69-page report accused Gov. Sheffield, a first-term Democrat, of manipulating lease specifications for 32,000 square feet of state office space in Fairbanks. The report didn't return any indictments.

The 10-year lease was awarded without competitive bidding Feb. 28 to Fairbanks-based McBirney & Associates, partially owned by Lenny Arsenault, a friend and political fund-raiser for Gov. Sheffield.

Following release of the grand jury report, Attorney General Norman Gorsuch cancelled the lease, saying it was "tainted with favoritism."

Mr. Shively admitted destroying public documents relating to the lease and lying to the grand jury before he received immunity from prosecution to compel further testimony.

Refusing to accept Mr. Shively's resignation, the governor said: "I trust him. He's a good public servant."

Mr. Shively testified that Mr. Arsenault asked Gov. Sheffield at a meeting Oct. 2 to change the bid specifications. Gov. Sheffield says he doesn't remember the meeting.

Gov. Sheffield, who never held elective public office before becoming governor, is a millionaire hotelier; his company, Sheffield Enterprises, owns, manages or has a controlling interest in 10 hotels in Alaska and one in Yukon Territory, Canada.

State records show that Mr. Arsenault, who was unavailable for comment, held a fund-raiser at his home for Gov. Sheffield at which $92,000 was raised to pay off post-1982 campaign debts.

The grand jury report, which recommended the impeachment proceedings, said evidence shows that the Sheffield administration "is unfit to fulfill the inherent duties of public office."

The jurors also said the testimony of Gov. Sheffield, who appeared twice before the jury, showed a "lack of candor and disrespect for the laws of this state."

Gov. Sheffield, 57 years old, said in a news conference here Wednesday that "there may have been some poor judgment, some improprieties" in the way his administration handled the lease. But he said neither he nor members of his administration broke the law.

He said he had wanted the Fairbanks building to be used to consolidate state offices before he knew who owned the building. He added that his motive was to save the state money by consolidating office space.

The impeachment proceedings will mark the first time in Alaska's 26-year history as a state that an elected official has faced removal from office.

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ALASKA "IN CELLULOID"

Visual images often make the most lasting impressions. A review of Alaska "at the movies", through a film search, interviews with Division of Tourism personnel and media experts, and a review of the holdings of the Alaska Film Library (Department of Education), reveals that film presentations of Alaska have helped to perpetuate the mystique of "The Great Land".

Most commonly, movies have depicted Alaska's land and scenic grandeur. These films have served to develop tourist interest with general descriptions of life in the state presented with glorious backdrops of mountains, lakes, rivers, glaciers, tundra, wild flowers, and wild life. "Beyond Expectations", a 28-minute film produced by Alaska's Division of Tourism in 1982 is an example of films of this genre. It has been shown on Cable Network News, on television, and has been made available for general promotional purposes throughout the nation. "Alaska, The Great Land", a scenic travelogue shown "in the round" is a popular tourist attraction for those visiting Alaska.

The people of Alaska have also been the subject of films, most of which have focused on native life and culture and lifestyles unique to the state. Walt Disney Productions developed short, special interest films of this type during the 1960's and 1970's. "Alaska Sled Dog" (1967) and "Alaska's Bush Pilot Heritage" (1973) were two popular Disney "shorts". "Spirit Of The Wind", a full-length movie depicting the life of a contemporary dog musher, was produced in Alaska in the 1980's and has been distributed nationally.

Things "Alaskan" have also been the subject of documentary films which have been produced in great number. Documentaries have included all aspects of Alaskan life: historical, anthropological, industrial, wild life, native arts, etc.

During the 1970's the pipeline construction was documented by the British Broadcasting Corporation (BBC), Atlantic Richfield, and British Petroleum. Wild life is a popular subject for documentaries. "The Last Stronghold Of The Eagles", produced for the Audobon Society, visually presents the great phenomenon of thousands of eagles which gather annually along the banks of the Chilkat River near Haines.

Special subject films such as "Stronghold" have presented a variety of Alaskan wild life, in natural habitat, to the viewer. Thirty-five million Americans viewed "The Polar Bear", an hour-long ABC special featuring this Arctic mammal.

The major presentation of Alaska, designed to enlighten Outsiders, was the film, "The Story At The Top Of The World". The 54-minute public relations effort was produced by the State of Alaska and distributed for use on nation-wide television in 1982. The film, developed as part of a National Communication Program, was developed to inform people in the lower 48 about Alaska. The film asked the question, "Can Alaska be oil barrel to the nation and national park to the world?" while portraying contemporary events/life style woven with historical facts.

Occasionally, Alaska is chosen as the location for shooting films but is not credited with being the site of the production. This was the case in the recent commercial film "Runaway Train". In this instance, as in numerous commercials, viewers are being exposed to the "Great Land" without their knowledge.

Television is the primary mass media message carrier. Alaska was featured as the location for the series "Love Boat" during the Fall of 1983 with glaciers and Alaska's general scenic grandeur providing a backdrop for the show. CBS will present a television mini-series during 1986 which is set in Alaska and which will present historical background with fictional characters.

Fried, Neal & Greg Huff, "A Profile of the Nonresident Job Seeker", Alaska Economic Trends, May, 1982.

Authors analyze the nonresident job seeker and outline the main characteristics of this individual who most commonly seeks seasonal employment in the state. The data is based on a sample of 430 letters, phone calls, and applications received by Alaska's Job Service from October 1981 to April 1982. Six basic questions asked were (1) origin of the job seekers; (2) skills; (3) type of job sought; (4) current job status: (5) reason to look for work in Alaska; and (6) sex.

The typical job seeker came from the Western coastal states with California supplying the majority of the individuals. The job seekers represented a wide spectrum of occupational categories with 37.4% in construction; 15.8% having professional, technical and managerial skills; and 8.4% clerical or sales persons. Students were mainly looking for summer work and more males (3 to 1) were seeking work than females. Family status tended to be single with two or three person families. Two-thirds of the job seekers were between 21 and 35 years old.

Respondents to the survey were not asked what attracted them to seek employment in Alaska but the article authors assume it is because of perceived work availability and high pay. They also state that post-pipeline Alaska is more well known "outside" because of pipeline related media exposure and that this exposure helped to remove misconceptions and fear of the unknown which previously existed. (Page 1)

Goldsmith, Scott, "Sustainable Spending Levels from Alaska State Revenues", Alaska Review of Social and Economic Conditions, Vol. XX, No. 1, Institute of Social and Economic Research, February, 1983.

No other state economy comes close to being as petroleum dependent as Alaska. This dependence on oil, (depicted below) coupled with the falling revenues already experienced in Alaska and projected for the future, prompted this "Review" article. (p. 1)

Percent of State Revenues Provided Directly by Petroleum

	Severance Taxes, Rents, Royalties	Corporate Petroleum Property Tax	Total
Texas (1978)	19.6	NA	NA
Louisiana (1978)	29.2	NA	NA
Oklahoma (1978)	15.0	NA	NA
Alaska (1982)	66.8	19.7	86.5

NA: Not available

. Petroleum Dependence

Alaska's state and local government revenues are derived primarily from the production of crude oil. Because, in recent years, transfers from the state general fund have become an important element of local revenues, petroleum revenues support both local and state government in the state. (See also Linda Leask's "Effects of Oil Revenues on State Aid to Local Governments in Alaska". Alaska Review of Social and Economic Conditions, Vol. XX, No. 4, September 1983.

About 95% of Alaska crude oil production has come from a single "super giant" field, the Prudhoe Bay field in Alaska North Slope. The Cook Inlet basin accounts for the remainder. Following the predictable cycle of growth, stabilization, and decline in annual productions which is characteristic of petroleum producing areas, the picture of projected production from proved oil reserves is grim, according to the author.

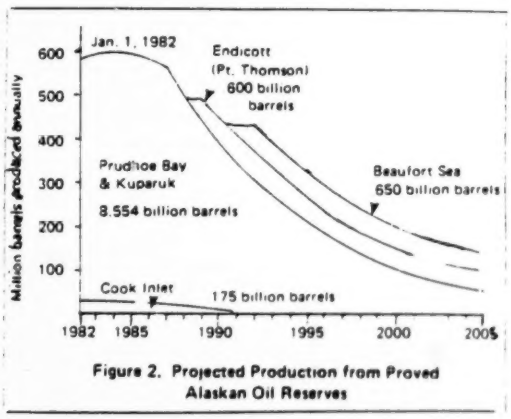

Figure 2. Projected Production from Proved Alaskan Oil Reserves

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Production from proved reserves in other fields and new discoveries will not be sufficient to fill the gap left by declining Prudhoe Bay production, according to Goldsmith. The decline in state revenues will proceed more rapidly than the production decline because a large portion of new reserves are likely to be located on the federally controlled outer continental shelf where the state has no taxing authority. Also, the value of the state's share of the oil in the ground at Prudhoe changes annually due to a variety of factors. (pp. 3-4)

. Future Revenues: Actual and Potential

In addition to Prudhoe oil, the state has other assets: natural resources and capital (physical and financial). Of these, only the value of its financial capital, the Permanent Fund, is known. However, even with the special appropriations made to the Fund through 1983, the conversion of the state's wealth to financial assets still averaged only 32% of petroleum revenues. This trend is anticipated for the future as well.

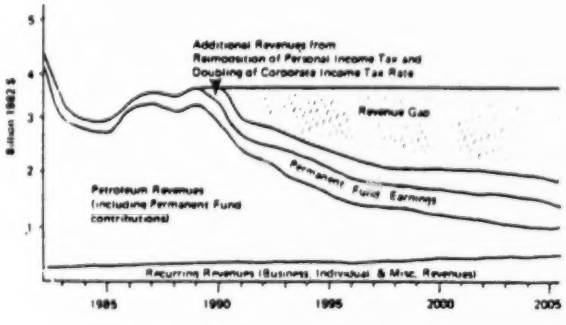

Figure 3. Projected State Revenues: General Plus Permanent Fund

The author raises and refutes the suggestions which have been made for dealing with the projected revenue gap as follows: (quoted from pp. 11 & 12)

1. **Increase the flow of petroleum revenues.** This could result from raising the per-barrel tax rate or increasing production on state lands. However, tax increases could only temporarily compensate for declining production and could accelerate it. To fully replace the revenue which the state will lose from the decline in the Prudhoe Bay field would require development of a new field on state lands every year. We have shown, and all knowledgeable sources agree, that this is virtually impossible.

2. **Rely on the development of nonpetroleum natural resources.** Comparing the value of natural resources industry outputs in Alaska indicates that no alternatives could expand enough in a few years to generate the level of sales necessary to provide a tax base comparable to petroleum. In 1981, petroleum (crude oil plus natural gas) accounted for 92.5 percent of natural resource sales; seafood contributed 5.9 percent. All others combined totaled only 1.6 percent.

   For example, just to match the value of petroleum output, the fishing industry would need to expand 1,600 percent. Profitability in the industry would also need to increase. The resource base will not allow this.

   Alternatively, coal, of which Alaska has large reserves, is often suggested as a successor to petroleum. Many deposits are not now economically attractive because of their location, but fields such as the Beluga and Nenana have a definite potential for development and expansion during the coming decade. If the state royalty and related taxes were to total $1 per ton of coal (which is higher than current state revenues per ton of coal produced), then an annual production of 4 billion tons would be required to equal the nearly $4 billion in petroleum revenues collected by the state in fiscal year 1982. Four billion tons is about 4,000 times current production and is also approximately the total demonstrated reserves in these fields. Thus, it would be physically impossible to generate the same amount of revenues from coal as from oil. Development of the coal industry may produce a stable number of jobs and a flow of revenues, but it cannot replace the magnitude of revenues generate by petroleum.

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3. **Rely on downstream processing of, or value added to, Alaskan resources.** Currently, revenues from such downstream processing are primarily obtained from the corporate income tax. At current tax rates, the corporate tax base would need to grow to over 100 times its current size to replace the revenues from petroleum in 1982.

4. **Reimpose the personal income tax and increase corporate tax rates.** Reimposing the personal income tax and doubling the corporate income tax rate would increase individual and business taxes only modestly, as shown in Figure 4. This strategy would fill the revenue gap for only one year and would subsequently reduce it by only a small percentage.

. Spending Limit

The author discusses the implications of the spending limit initiative passed by Alaskan voters in November, 1982 contrasting it with a sustainable spending limit and in so doing demonstrates the range of spending options available to the state as petroleum revenues decline. Goldsmith points out that because the spending limit is not based on anticipated levels of revenues and will not produce any significant savings on investments, it will not work. He claims it will not work because recent revenues have just about equalled the current limit and in the future will fall short of the limit. (pp. 12-13)

. Permanent Fund

The Permanent Fund is the only financial asset which the state could draw upon to fill the revenue gap created by falling revenues and a growing spending limit ceiling. Goldsmith reports however, that when revenues fall below the ceiling, the Permanent Fund balance will "be about $45 billion because of the annual withdrawal of both real and nominal earnings to fund the Permanent Fund dividend program and to supplement general fund revenues. (pp. 13-15)

. Sustainable State Expenditure Level

Goldsmith proposes a restructuring of the spending limit. He contends that "a spending rule that would hold annual appropriations at or below the level of sustainable revenues would allow the state to live within its means and avoid the future need for sharp and massive cuts in expenditures as oil revenues decline." (p. 15) A sustainable expenditure level is one which can be maintained at a constant or growing level in "real" terms (corrected for inflation) when petroleum revenues decline.

Two guidelines are offered for accomplishing this: (1) Annual spending should take into consideration long-term fiscal considerations; (2) Spending should not grow faster than recurring revenues. (Recurring revenues are revenues which are independent of dwindling resources). (pp. 15-20)

Martin, Douglas, "Costs Thwart Alaskan Sales," The New York Times, March 18, 1983, pp. 1 & 13.

The Alaska gas line was to have been in service by 1983. However, because there is no market, the gas is being injected back into the ground. The reasons cited for the lack of progress on a gas line include the "persistent abundance of oil worldwide, a similar abundance of cheaper gas in the United States, and the steep rise in estimated costs and severe financing problems."

Gas exists in two ways at Prudhoe Bay, in a giant "cap" overlaying the oil reservoir, and mixed in with the oil. while most of the gas is being reinjected now, the amount of gas relative to the amount of oil will grow and the capacity of the injection system is limiited. However, the main concern in regard to the use of the gas is finding a way to get it to customers at a reasonable price.

The only legally approved way to transport the gas, at this time, is through the Alaskan Gas Transportation System, a 4,800 mile pipeline running from Prudhoe Bay through Canada to markets in the mid West and on the Pacific. While the system has been designed, the original cost estimates have more than tripled and the concern is that these capital costs would have to be passed on to the consumer. While financing plans have been explored, the whole domestic natural gas supply/demand picture has changed and many people are convinced the pipeline will never be built.

As an alternative, some Alaskan leaders are promoting the construction of an 820 mile pipeline from Prudhoe Bay to the port of Kenai, Alaska for transporting the gas

which would then be liquified for shipment to Japan by tanker. Currently, federal law prohibits the export of oil. Also, Japan has not indicated strong interest in purchasing the gas.

Those who continue to support the proposal say that "it will lessen the United States' $20 billion payments deficit with Japan, prevent the Soviet Union from capturing a large chunk of the Japanese gas market--as it has in Europe--and cost $18 billion less than the line through Canada."

Arlon Tussing and Connie Barlow, "The Struggle for An Alaska Gas Pipeline - What Went Wrong?" Alaska Review of Social and Economic Conditions, Vol. XX, No. 3, Institute of Social and Economic Research, University of Alaska, August, 1983.

The authors contend that the Alaska Natural Gas Transportation System (ANGTS) as it was conceived in 1977, does not appear to be an economically sound venture. Their conclusion is based on developments in the structure of natural gas demand in the United States, the world oil price and supply outlook, general price level trends, and capital market conditions.

Frank, Allan Dodds. "Northwest Passage" Forbes, November 7, 1983, pp. 220-222.

The author shows the growing commercial orientation of the Native Regional Corporations toward the Pacific Rim countries and cites specific examples of this trend.

- Japan and South Korea provide major markets for timber, fish, minerals and reindeer horn (used by apothecaries in Korea).
- Japanese corporations are involved with the Calista Native Corporation in joint ventures to supply engineering expertise and steel for building offshore oil rigs in the Bering and Chuckchi seas.
- Cook Inlet Region is seeking a blend of Pacific Rim and domestic markets which other Native Corporations are trying to duplicate. Cook Inlet Region perceives that improvement of coal prices could make it economically feasible to ship coal to Japan from its massive Beluga coal field near Anchorage.

The author reports that the 12 Alaska Native Corporations profits have been improving (see table below) but that big economic gains can be expected when world prices for oil, timber, and fish improve.

On native ground

These 12 corporations, established by Congress, control most subsurface and surface rights to 44 million acres of Alaska and were given $962.5 million to set up businesses and manage the assets to make Alaskan Natives self-supporting. They can't sell their stock until 1991. Here's a situation report. (p. 222)

Corporation	Reporting year	Stockholders	Acreage (millions)	Settlement money	Equity	Long term debt	Current assets	Current liabilities	Earnings per share	Equity per share
						thousands				
Afognak Inc	1983	1,074	1.8	$15,085	$17,755	$ 877	$12,304	$ 1,354	$ 2.69	$ 17.34
Alaska Corp	1982	3,249	1.5	19,504	15,839	2,110	8,346	1,208	1.53	48.75
Arctic Slope Regional Corp.	1982	3,738	5.2	22,535	20,002	16,299	15,684	14,988	(18.38)	50.84
Bering Straits Native Corp.	1981-82	7,425	2.2	51,225	8,360	24,392	5,640	3,404	(5.01)	13.20
Bristol Bay Native Corp.	1983	5,401	3.2	32,695	37,134	14,527	7,980	3,761	5.88	62.87
Calista Corp.	1982	13,305	6.5	80,133	54,716	23,865	21,571	3,600	1.18	41.12
Chugach Natives Inc.	1982	1,908	1.0	11,454	6,049	906	8,828	9,710	(4.62)	31.64
Cook Inlet Regional Inc.	1982	6,284	2.4	43,026	78,880	9,685	65,209	26,677	24.98	121.14
Doyon Ltd	1982	9,448	12.2	53,609	57,978	3,374	11,602	19,144	0.74	64.00
Koniag Inc. (9 mos ending 3/31/82)		3,432	1.1	26,504	15,043	2,886	8,695	8,315	(3.33)	33.35
Nana Regional Corp. Inc.	1982	4,828	2.3	43,583	44,669	2,751	20,594	20,184	1.80	60.85
Sealaska Corp.	1982	15,787	0.6	205,948	176,000	36,889	100,756	101,828	(17.72)	111.41

Source: Native corporations annual reports

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Morehouse, Thomas A. (Ed.), Alaska Resources Development, University of Alaska Institute of Social and Economic Resource, Westview Press, 1984.

Many people believe that world demand for Alaska's known or suspected reserves of petroleum, coal, minerals, fish, timber and other resources will help keep the state's economy healthy after Prudhoe Bay oil has been depleted. The authors report that this is not so and predict that while some additional resource development will occur in the next 10 to 20 years, it will not come even close to replacing the income the state government will lose as production from the Prudhoe Bay oil fields start to diminish.

The book cites as the chief reasons for its conclusion: (1) the costs of producing resources as compared with their market value, (2) the world political climate and the availability of secure supplies of metal resources outside Alaska and (3) government policy. They consider the first to be the most important.

The authors' general finding that many of Alaska's resources will remain largely undeveloped is based on the fact that many of the resources found in Alaska also occur in adequate supply in other areas of the world. Given the high costs for economic development which exist in Alaska, it is world demand for and prices of the state's resources which will determine future development, according to the authors.

McAllister, Kirk, "1991 A Time of Reckoning For Alaska Natives", Alaska: Reflections On The Future, Special Edition, Juneau Empire, 1984, pp. 14 & 15.

In 1991 village and regional corporations must, under the terms of the 1971 Alaska Native Claims Settlement Act (ANCSA), issue new stock to shareholders. The new stock will not be limited to Native ownership as it has been in the past. Concern among many Native leaders is that some of the 80,000 shares might be purchased by outside businesses and investors who would then control the land the corporations own.

The Alaska Federation of Natives (AFN) is currently listing issues and options for consideration by the Native corporations. One option involves amending ANCSA but, according to Janie Leask, President of AFN, "most corporations want to deal with the problems of 1991 now instead of extending the grace period."

TABLE 7.1
State General Fund Appropriations, 1971-1983 (millions of 1982 dollars)

Fiscal Year	Total Appropriations	Operating Budget	Capital Budget
1971	$ 701	$ 610	$ 91
1972	717	649	68
1973	804	680	124
1974	751	729	22
1975	927	800	127
1976	1,020	928	92
1977	1,119	1,023	96
1978	1,182	1,064	118
1979	1,389	1,142	247
1980	1,325	1,208	117
1981	4,230	1,478	1,409
1982	4,663	1,810	2,053
1983 (est.)	2,969	1,881	828

Source: Adapted from Goldsmith, "Sustainable Spending Levels from Alaska State Revenues," *Alaska Review of Social and Economic Conditions*, Table 10, p. 21.

TABLE 7.2
Government Employment in Alaska, 1970-1982 (in thousands)

Year	Total State and Local	State	Local	Federal Civilian
1970	18.5	10.4	8.1	17.1
1971	20.7	11.7	9.0	17.3
1972	23.3	13.3	10.0	17.2
1973	24.6	13.8	10.8	17.2
1974	25.8	14.2	11.6	18.0
1975	28.8	15.5	13.3	18.3
1976	29.3	14.1	15.2	17.9
1977	31.1	13.9	17.2	17.7
1978	34.3	14.3	19.8	18.1
1979	36.6	15.0	21.6	17.9
1980	36.3	15.4	20.9	17.8
1981	38.5	16.6	21.9	17.6
1982	40.9	18.0	22.9	17.9

Source: Institute of Social and Economic Research, University of Alaska.

TABLE 7.3
State Revenues Saved and Spent, 1977-1983 (in millions of 1982 dollars)

Fiscal Year	Total Appropriations*	Revenues Spent	Revenues Saved	Percent Saved
1977	$ 1,125	$ 1,119	$ 6	5%
1978	1,223	1,182	41	3.4
1979	1,497	1,389	108	7.2
1980	1,727	1,325	402	23.3
1981	4,266	2,887	1,379	32.3
1982	5,072	3,863	1,209	23.8
1983	3,286	2,689	597	18.2
Total	$18,196	$14,454	$3,742	20.6%

*Unrestricted general fund and permanent fund revenues.

Source: Adapted from Goldsmith, "Sustainable Spending Levels from Alaska State Revenues," *Alaska Review of Social and Economic Conditions*, Table 10, p. 21.

Native Corporations are also dealing with the questions related to "new borns", Natives born after 1971 who were not included as shareholders in the original settlement; special benefits for elders, as well as protecting stock, corporate land, and cultural values.

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Berman, Matthew, "Alaska North Slope Oil Production and Revenue Projections", Alaska Review of Social and Economic Conditions, Institute of Social And Economic Research, Vol XXII, No. 1, February, 1985.

How much oil is produced on the North Slope in the coming years will greatly affect Alask's economy and state revenues. In this Review, the author analyzes how future oil production and revenues from known North Slope fields could be affected by market prices and certain federal and state policies. He then projects the probable range of North Slope production and revenues to the the year 2000, based on the likely range of oil prices and other factors. His major findings are:

- Despite the contribution of these new fields, onshore production will probably decline 60 to 70% by the year 2000. This decline will occur because production from the new, smaller fields will not come close to replacing current production from Prudhoe Bay.
- The cumulative total of oil produced in Alaska by the year 2010 could vary by several billion barrels, depending on the future price of oil. If oil prices maintain current levels, cumulative production from known fields on the North Slope will probably reach nearly 12 billion barrels by 2010. On the other hand, if prices fall back to mid-1970s levels, cumulative North Slope production could be reduced to less than 10 billion barrels.

Berman also analyzes the effects of revenue policy on production and state revenues. The author shows that a proposed national severance tax on oil of around $3 per barrel, if applied to state royalty shares as well as to private production, would affect Alaska production and state revenues in the same way as a $3 reduction in the market price, i.e., a reduction of approximately a billion barrels in recoverable North Slope reserves and an accompanying loss by 2010 of around $10 billion in state revenues.

Berman also considers the Federal Windfall Profits Tax, the excise tax on oil production with a rate structure based on the difference between current oil prices and 1979 levels, the so-called 'windfall profit' from decontrol. He suggests that, in regard to Prudhoe Bay, a removal of the exemption from the Tax would not necessarily impact development. However, extending the Tax to include Prudhoe would have a significant impact on federal revenues raising nearly $500 million (measured in 1984 dollars) in additional revenues (in the high case), and nearly $300 million more in 2000. State revenues would decline by $20-30 million annually in the 1990's if the Windfall Profits Tax was extended.

"Report Shows Strong Economic Growth", Juneau Empire, June 27, 1985.

An Alaska Pacific Bancorporation report states that "Alaska's economy is caught in the crosscurrents of structural change; however, the transition should be relatively smooth. No longer will government spending dominate Alaska's growth, but policy decisions will have a strong bearing on the private sector."

In reporting more specifically on various economic activity in the state, the Report predicts:

- Increased development activity on the North Slope with an increase in field construction employment anticipated.
- Steady fish prices
- A slowing in the trade and service sectors, the state's major source of new jobs and income.
- Continued growth in tourism.
- Gradual decline in state and local employment.

Gadberry, Greg, "OPEC Failure Worries Alaska Officials", Anchorage Dialy News, July 8, 1985, pp. 1 & 12.

The failure of the Organization of Petroleum Exporting Countries (OPEC) to end the price cheating that is lowering world-wide oil prices worries Alaskan officials. " 'While that failure may not have an immediate effect on Alaska oil sales, continued disarray in the international cartel could mean prices for Alaska crude may erode faster than already anticipated, according to Fred Boetsch, petroleum revenue director.' "

The falling price of oil affects Alaska because North Slope crude must compete in the world market. " 'We figured that prices would drop by $1.50 per barrel over the year, said Boetsch. But prices on the fluctuating spot markets show that Alaska crude is selling for less.' "

(Editor's Note - A $1.00 decrease in the price of North Slope oil costs the state about $150 million in revenue).

"Alaska Job Facts", "Fan Mail Tallies For Month of April, 1985", "Working And Living In Alaska", Employment Security Division, Alaska Department of Labor, 1984.

Alaska receives thousands of inquiries monthly from individuals who are seeking employment in the state. Alaska Job Facts" and "Working and Living In Alaska" are informational pamphlets developed by the Department of Labor to advise potential employment seekers of working and living conditions they might expect to find.

Both pamphlets emphasize the high unemployment rate, and recent trends in each of the employment fields - construction, fishing, mining, timber, government, and teaching. They address the high cost of living which affects food prices, housing and utility costs, and land prices, and the climate.

The booklets tend to dispel the myths related to the wealth, "gold" seekers, jobhunters, might be looking for. "Lured by rumors and promises of fortunes, too many people have come north and been stranded, without work or money."...."Many people will come here, enticed by stories of the big money and meet hardships and problems they never imagined."..."Jobs are not plentiful in any industry, in spite of what you've heard..." "You have everything to lose by not hearing accurate information before coming to Alaska." ("Working and Living In Alaska", pp. 14 and 15.)

Schmid, Randolph, "Alaska Fastest-Growing State", Juneau Empire, July 3, 1985, p. 9.

According to the Census Bureau, population in the U.S. increased by 4.2 percent, or 9.6 million, between 1980 and 1984 with 91% of the growth occurring in the South and West. Alaska ranked as the fastest growing state gaining 24.4% in four years.

Chrysler, A. W., "Alaska's 25th Birthday A Time of Joy and Regret", U.S. News and World Report, Jan. 9, 1984, pp. 67-68.

A reflection on the changes which have occurred in Alaska during statehood including Alaska's great wealth, population increase, and improved infrastructure. The article quotes state leaders who generally feel that statehood has been beneficial and goes on to report on the "harsh existence" of life in the Great Land.

"Many newcomers are ill equipped to deal with the rawness of life here. It takes a special temperament to endure the ice fog of a winter in Fairbanks or the nearly 200 inches of rain that soak the southeastern part of the state some years."

Suicides run at a rate 14 percent above that in the Lower 48. A recent University of Alaska study indicates that drug abuse is two to three times the national average. Prof. Ted Mala, a health specialist, reports "Alcohol-related deaths in Alaska are the highest in the nation, 3 1/2 times the national average."

Chrysler cites statistics related to the high per capita income as well as the high cost of living and relates the poor transportation system, coupled with the vast expanse, as contributing to the sectionalism and "political immaturity" which exist in the state. (p. 67)

Former State Representative Oral Freeman is quoted as saying, "Politicians spend money for the same reason people climb mountains, because it is there." (p. 68) Fiscal experts predict that Alaska faces severe financial problems unless oil prices rise or more oil is discovered.

Former Governor Walter Hickel is quoted as saying, "Americans are just beginning to get a glimmer of what we have up here. We are not a contiguous state. We are 49 states and a country." (p. 68)

III IMAGE REVERBERATIONS

Gruenfeld, Jay, "Understanding Log Exports," American Forests, Vol. 87, December, 1981, pp. 16, 19, 20, 54.

A supporter of log exports examines the log export issue for the American Forests magazine. Gruenfeld outlines the conditions under which logs may be exported now and considers the pros and cons of exporting as well as Alaska's role in the timber business.

Federal law currently prohibits the export of timber in log form from state-owned lands. On federally owned lands, export of logs west of the 100th Meridian (a line from North Dakota to Texas) is almost entirely prohibited. Privately owned timber, therefore, has the pivotal role in exports.

Alaska has become a major source of export logs. Under the terms of the Alaska Native Claims Sttlement Act, native Alaskans can select over 40 million acres of federal land. This land is then considered to be privately owned and is exempt from the log-export prohibition on logs from federal and state lands in Alaska. Japan, which imports huge volumes of logs and chips, is interested in old-growth timber on exempt land. And Japan is able to pay more for logs than the domestic mills in the U.S. for a variety of complex economic and socio-political reasons.

The arguments Gruenfeld gives against and for export of logs are: AGAINST - (1) Log exports cause a log shortage, which increases prices to local consumers and decreases employment. (2) We need to preserve our trees for future use. FOR - (1) Logs should be allocated by the forces of a free market. In the long run, consumers benefit from free trade that forces uncompetitive industry to either change or go out of busines. (2) Even if log exports were banned, Japan and other nations would purchase logs from other countries and then buy lumber and other products from the lowest-cost supplier, which, in most cases, would not be the United States. (3) The more profitable wood-growing is, the greater the volume of wood that will be grown. Reducing the value of wood by restricting markets will in turn reduce the level of forestry as currently practiced. (4) The national interest requires more exports to improve the balance of payments. Despite log exports, the U.S. is the world's largest importer of forest products.

Goldsmith, Scott and J. Phillip Rowe, "Federal Revenues and Spending In Alaska", Alaska Review of Social and Economic Conditions, Institute of Social and Economic Research, Vol XIX, No. 2, April, 1982, pp. 11-24.

The authors present an overview of the flow of federal money into and out of Alaska in 1980 as an indication of the many ways in which the federal government influences the state's economy.

In analyzing federal revenues from Alaska, the authors find that "Individual Alaskans paid about $1.3 billion in federal taxes and other levies in 1980 and overall economic activity in the state generated about $3.7 billion in federal revenues. The largest source of revenue generated by economic activity was the corporate income tax, which cost businesses operating in the state - primarily oil companies operating at Prudhoe Bay - nearly $2 billion. The largest source of revenues from individuals in 1980 was the personal income tax which cost Alaskans $685 million that year." (p.11)

Other kinds of revenues, non-tax revenues, made up a small portion of the total revenues. These included monies from the operation of the U.S. Postal Service and the Alaska Railroad; sale of timber and other resources on federal lands; and customs duties and other miscellaneous revenues. (p.15)

The federal government spent $2.2 billion in Alaska in 1980. The bulk of the money, 78%, was for operational expenses. Operational costs include all the federal government's cost of providing services, paying its civilian and military employees, maintaining and constructing federal facilities, and making transfer payment to individuals.

22% of the $2.2 billion was for grants. Federal grants are mainly monies the federal government distributes to state and local governments to help pay for a wide range of public programs. A small amount of the grant money goes to private, non profit organizations and to individuals. (pp. 2 and 3)

The authors caution that a straightforward dollar comparison between money spent by the federal government in Alaska and that received could be misleading for the following reasons. (p. 23)

(1) All federal spending in Alaska is not solely for the benefit of Alaskans but for all Americans and Defense spending is the prime example of this.

(2) The taxes paid by multinational corporations are ultimately borne by residents of all states because federal business taxes are passed on to individuals nationwide.

(3) Costs and benefits between Alaska and the federal government are difficult to measure. Such items as jobs related to federal spending and taxation can be quantified while other items, such as the protection Alaskans receive from the national defense system, can not be measured.

Lowenstein, Roger, "Alaska Proposing Japan Connection", Wall Street Journal, January, 1983, p. 15.

A blue-ribbon panel, headed by Walter J. Hickel, former Alaska governor and U.S. Secretary of the Interior under Nixon, proposes a plan to convert natural gas to liquid and ship it to Japan.

Hickel contends that it makes good economic sense to bring the gas to Kenai instead of transporting it overland to the U.S. The latter plan would force Japan to buy natural gas from Canada, according to Hickel. Also, Hickel claims his Trans-Alaska plan is economically viable while the Alaska Natural Gas Transportation System (ANGTS) is not. ANGTS would be 4,800 miles as compared to 820 miles for the Trans-Alaska pipeline which would only carry one billion cubic feet of gas, half that proposed for ANGTS. After completion, it would carry three billion feet a day. The estimated total cost for the project is $25.5 billion.

Canada presents a political obstacle which could keep the Trans-Alaska pipeline from being built. Canada has been counting on ANGTS to transport some of its own gas and the U.S. wants to maintain good relations with its northern neighbor. Also, there is a general feeling that the U.S. should not send its energy resources abroad.

"More Perfect Union - A Plan for Action", Final Report, Alaska Statehood Commission, January, 1983.

Alaskans voted in 1980 to create the Alaska Statehood Commission to study the status of Alaskans within the United States and to make recommendations on that relationship. The Commission's Final Report, issued in 1983, reported its primary finding which was that having studied the benefits and liabilities of various relationships with the United States, none was seen as preferable to statehood. Additionally, the Report included the twenty recommendations which follow.

1. Alaska should become an activist state. It should take a lead among states to define the boundaries of state powers in our union.

2. Repeal of the Jones Act will serve Alaska's and the nation's interest, and Alaska should seek repeal. In the short term, the state should dedicate itself to getting the Jones Act amended to allow the use of foreign-built ships in the Jones Act trade.

3. Alaska and our congressional delegation should vigorously oppose extension of that portion of the Export Administration Act of 1979 which bans the export of Alaska North Slope oil. This law expires in September 1983.

4. Alaska must act immediately to create in Washington, D.C., a research and advocacy institute and ask other resource states to join in supporting it. The institute would combat efforts in Congress to limit or tax state resource revenues.

5. The state Board of Education and Alaska school districts should require the teaching of Alaskan history, citizenship and culture.

6. The Alaska State Legislature should pass a resolution applying to Congress under Article V of the U.S. Constitution for the calling of a national constitutional convention. The convention's sole duty would be to define the procedures governing all future constitutional conventions called by the states.

7. Alaska should take the initiative to establish a legal action fund for the states. Lawyers for this fund would sue to oppose illegal and coercive federal restrictions, regulations burdensome to state and local government, and excessive use by Congress of its commerce powers to override state and local laws.

8. Alaska should provide seed money to the National Governors' Association or like organization to sponsor a national convocation on federalism in the United States.

9. Alaska and other states should consider amending the United States Constitution to strengthen the role of the states.

10. The governor of Alaska should prepare the political impact statements on proposed major federal actions. Eventually, the National Governor's Association should prepare them on the behalf of all states.

11. Alaska's governor should invite the leaders of northwestern state and the western Canadian province and territories to join Alaska in establishing a conference modelled after the New England Governors and Eastern Canadian Premiers Conference. The governor should establish in the executive branch an interagency task force on foreign relations.

12. The Legislature and the governor should immediately invite representatives of Hawaii and the noncontiguous possessions to meet with them to explore setting up a permanent coalition to deal with such common interests and problems as the effects of discriminatory transportation laws.

13. Alaska must vigorously police federal implementation of the Alaska Statehood Act. We should insist that the remaining land transfers be completed within four years, and we must guard against congressional attempts to unilaterally change the Statehood Act or Alaska Constitution. The Legislature should authorize and direct the lieutenant governor to place all such attempted changes in the Statehood Act or Alaska Constitution before Alaskan voters in a ballot proposition.

14. Alaskans should consider two amendments to the state constitution which will clarify Alaska's powers as a sovereign state and its authority to engage in foreign relations.

15. State officials should refuse federal grants carrying particularly burdensome requirments.

16. The Legislature should fund the Department of Revenue or other appropriate agency to make an annual study of and report on the flow of federal spending and revenues in Alaska.

17. The governor should establish an office of external relations on his staff, to be headed by a special assistant charged with coordinating Alaska's expanded relations with other states and with foreign nations.

18. The State of Alaska should explore with the federal government and Native organizations the establishment of a permanent joint factfinding and advisory body to air and help reconcile problems that arise over land, resources and other interests.

19. The Legislature, in order to give all Alaskans the greatest measure of home rule, should divide Alaska's single unorganized borough into regional unorganized boroughs in accordance with the intent of the state constitution.

20. The state should establish an Alaska information office under the governor's direction to produce clear, objective, precise information about Alaska for nationwide distribution and to arrange for visits to Alaska by members of the national press corps, members of government and other opinion-makers.

Keiser, Gretchen & Jack Kreinheder, "Outer Continental Shelf Oil Development", Research Request Number 83-70, House Research Agency, March 30, 1983.

In this memorandum, the authors attempt to analyze the economic benefits and costs to the state of outer continental shelf oil development using the Norton Sound area as an example. OCS activities off Alaska's coast began in the mid-1970's with exploration in the eastern Gulf of Alaska. Since that time there have been numerous lease sales throughout the state and extensive exploration to date. Only one well, located in the Beaufort Sea, has been the site of an oil discovery.

Benefits of OCS

In regard to the benefits associated with OCS development, the authors identify the following.

Employment and Income - OCS development would generate direct petroleum jobs and project supply jobs. Estimates given indicate that 75-80% of these jobs could be filled by Alaska residents. It is suggested that because of the unavailability of a skilled labor force in the local rural communities which would, in most cases, be impacted by OCS, local hire would most likely be in the semi-skilled project supply jobs and indirect retail and government jobs created by population increases and local spending of income. A concommitant "employment multiplier" would then impact the more urban areas of the state. The same "multiplier" effect exists for petroleum related incomes. Also, expenditures of nonresident workers help augment the local economy.

State Revenues from OCS development could accrue from:

- state oil and gas property tax
- enhanced revenues from state oil and gas leases sold for acreage adjacent to OCS lease areas; and
- proposed federal OCS-revenue sharing legislation.

Local revenues from OCS development would come primarily from sales and property taxes. Other local economic impacts which are difficult to measure may include:

- filtering of income to outlying villages
- increased demand for native handicrafts
- reduced local outmigration to urban centers
- more training and adult education
- increase in adequate housing
- increased availability of services and facilities

Cost of OCS

The authors cite the following identifiable costs to state government associated with OCS activities.

- personnel
- increased capital and operating budgets
- potential loss of tax revenue

Costs at the local level may stem from;

- increased operating budgets
- capital project financing and debt service
- real estate inflation

Additional costs which may be associated with OCS and which would be borne primarily at the local level are:

- commercial and subsistence fisheries threatened by potential oil spill impacts
  increased competition for fish and game
- personal conflicts between OCS employment and seasonal subsistence activities
- disruption of service and goods to outlying villages during peak OCS activities
- increased mental health costs to the Nome area; and
- recession and contraction of the local economy following cessation of OCS activities

Recommendations

The authors recommend a number of steps which they see as maximizing the benefits of OCS and minimizing the costs, particularly at the local level:

- Initiation and continued support of vocational education/training programs targeted for rural Alaska may enable local workers and economies to reap longer term benefits from OCS activities.
- Continued State support of impact assessment, planning and amelioration by local officials may enhance local control and community satisfaction as OCS activities proceed.
- Continued State advocacy of OCS-revenue sharing legislation may help to ensure long-term federal assistance for State and local government costs incurred because of OCS-related activities.

Finally, according to the authors, the degree of success in maximizing the benefits and minimizing the costs of OCS development at the local level depends largely on the outcome of community-industry negotiations regarding energy facility siting and industrial workforce integration into the community. From the community's viewpoint, beneficial impacts are likely to be maximized when local taxing zoning powers and/or local landownership exist at the proposed industrial site. Careful State consideration of reasonable local annexation or borough proposals could further the beneficial outcome of OCS development throughout rural Alaska. State and industry sensitivity toward local requests with respect to workforce integration into a community, ranging from "off limits" to full integration, is fundamental to community satisfaction as OCS activities proceed say Keiser and Kreinheder.

Saddler, Sally, "The Jones Act", Alaska Economic Trends, Alaska Department of Labor, April, 1983.

The following is a reprint of an article by Sally Saddler who reviews the recommendation of the Alaska Statehood Commission that "repeal of the Jones Act will serve Alaska and the nation's interest."

THE JONES ACT

Section 27 of the Merchant Marine Act of 1920, commonly known as the Jones Act, regulates trade between American ports. Domestic trade is restricted to vessels built and registered in the United States, and owned and operated by Americans. Protection of domestic trade from foreign flag vessels has existed in various forms since late 1790 and is intended to promote and maintain a strong domestic merchant marine fleet. There are two underlying reasons for maintaining a domestic fleet.

* For the economic good of the nation (protection from "unfair" foreign competition)
* For the benefit of national security

Many, but not all, foreign countries restrict some form of merchant marine trade to national flag ships. European countries with relatively short coastlines do not widely restrict trade, but often institute financial aid and incentives to all segments of national shipping.

THE JONES ACT FLEET

According to the U.S. Maritime Administration, 326 of the 575 vessels in the Jones Act fleet (those vessels eligible to engage in the coastwide trade) accounted for 61% of all U.S. flag vessel tonnage in January 1982. Half of all vessels are tankers. Although nearly 30% of the U.S. fleet engaged in Jones Act trade operate in Alaska, these 94 vessels account for half of total U.S. tonnage. Ninety-four percent of Alaska's Jones Act fleet are tankers.

ALASKA EXEMPTIONS FROM THE JONES ACT

Foreign built, owned, and registered vessels can carry merchandise between the contiguous states and Alaska if the cargo moves for a short distance on a Canadian rail line. Alaska benefits from the fact that the Virgin Islands are exempt from the Jones Act; between 5 and 15% of Alaska oil shipments are made to a refinery in the Virgin Islands. The Virgin Islands are one of several islands in U.S. possession that are exempt from the Jones Act.

Laws affecting trade in coastal waters can be changed using administrative waivers and legislative exemptions which are occasionally granted to individual ships.

EFFECT OF THE JONES ACT ON ALASKA

Virtually every industry that imports or exports some type of good or service to the lower 48 is affected by the Jones Act. Capital costs of building U.S. flag vessels are estimated to be twice as high as their foreign flag counterparts due to the combined effect of relatively high U.S. labor costs, low productivity, and lack of competition as a cost reducing incentive. Costs in manning U.S. flag vessels are also estimated to be twice as high as foreign counterparts due to high labor costs. Additionally, high labor costs increase the cost of vessel maintenance and repair which must be made in the U.S.

According to the Alaska Statehood Commission report, the Jones Act burdens Alaska in several ways.

* Reduces state oil revenues by increasing transportation costs; state revenues which depend upon the well-head price of oil would increase if transportation costs decreased.
* Discourages development of new oil fields and mineral deposits by increasing the costs of getting products to market.
* Increases the cost of domestic freight entering Alaska making virtually all consumption of goods and services higher priced than without the Jones Act.

REPEAL OF THE JONES ACT

In a report prepared for the Alaska Statehood Commission, Simat, Helliesen and Eichmer, Inc. states "crude oil shipments from Valdez...accounted for 89.5% of Alaska's total port activity in 1979." The oil industry could be especially affected by the Jones Act due to oil dominance of Alaska's waterborne commerce. However, foregone state revenue may actually be the result of the Export Administration Act of 1979 and the Transalaska Pipeline Authorization Act of 1973 which effectively bans export of North Slope oil to foreign countries. If export were permitted, Alaska oil, currently shipped to the U.S., Gulf and East coasts, would probably be exported to Japan and other Pacific Rim markets. Should this occur, the Jones Act would not affect Alaska oil shipments outside the U.S.

Crude oil producers own or charter the Alaska oil tankers and are committed to pay off high transportation investment costs. As a result, transportation costs would not immediately fall upon repeal of the Jones Act. Additionally, Arlon Tussing reports the incentive for oil producer to seek transportation cost reductions is "weak because the combination of royalties and severance taxes, 'windfall profits' taxes, and federal and state income taxes leave the producers less that 10% of any increase in well-head prices stemming from lower ocean transport costs".

The extent to which the Jones Act discourages development of new oil fields and mineral deposits is difficult to measure and affects only those resources that would be shipped to U.S. ports. High transportation costs to the U.S. tend to make foreign markets more attractive for Alaska products.

An undisputable transportation cost penalty disproportionately affects Alaska to the extent that we rely more heavily on water transportation than most of the U.S. (Development of alternate transportation modes in the rest of the U.S. may have been boosted by high costs imposed by the Jones Act.) However, it is difficult to measure the impact of transportation costs on general merchandise imports (excluding crude oil, Alaska's exports to the U.S. are minor).

Arlon Tussing states that "the methods by which shippers could circumvent Jones Act cost penalties are virtually unexploited" and, that this supports the contention that "these penalities are insignificant".

Repeal of the Jones Act may reduce transportation costs if foreign owned and operated vessles enter the Alaska market. Outright repeal would displace both Alaska and U.S. employment. Use of foreign built vessels owned and operated by the U.S. could reduce transportation costs to Alaska consumers while protecting both Alaska and U.S. water transportation related employment.

MISCELLANEOUS ISSUES

The Alaska Statehood Commission failed to address the impact of the Jones Act on the Alaska Marine Highway Transportation System. Use of foreign built vessels is prohibited. If allowed, Alaska could save half the acquisition cost of new ferries.

Repeal of the Jones Act could increase the number of tourships to Alaska. Increased tourism on foreign ships would indirectly contribute to local Alaska economies. Repeal would not guarantee an increase since the volume of passengers depends upon various factors including marketing strategies, the condition of the national economy, and foreign exchange rates. Since many tours originate in California, further study would be required to determine whether foreign tourships currently operating in Alaska abide by the Jones Act provisions that prohibit carrying passengers between U.S. ports.

Current national sentiment that Alaska has excessive oil wealth could increase the difficulty of repealing the Jones Act particularly on the basis of cost penalties to Alaskans. An amendment to the Jones Act to allow foreign built vessels to be owned and operated between U.S. ports holds more promise. U.S. shipbuilders would be most affected by this amendment, in addition to that portion of nonagricultural employment related to construction of Jones Act fleets. Employment related to the construction of non-Jones Act vessels would not be affected so that the U.S. shipbuilding capacity would be preserved for the benefit of national security.

Editor's Note: Also see Simat, Hilliesen and Eichner, Inc., "The Jones Act and It's Impact on the State of Alaska" Prepared for the Alaska Statehood Commission, Vol I & II, July, 1982; and, Arlon R. Tussing, "Alaska's Economy and the Merchant Marine Act of 1982", prepared for the Alaska Statehood Commission, September, 1982.

Greenhouse, Linda, "Windfall Oil Tax Is Upheld", New York Times, June 7, 1983, p. D-1 & 9.

The Supreme Court upholds the constitutionality of the "windfall profits" tax on decontrolled crude oil. At question was the Alaska oilfield exemption from the tax in light of the constitutional requirement that "all duties, imposts and excises shall be uniform throughout the United States."

The tax is an excise tax of up to 70% on newly decontrolled crude oil. The rate of the tax varies between 30-70% of the 'windfall profit." That term applies to the difference between the current free market price of crude oil at the wellhead and the price at which the oil would have been sold in 1979, the last year of full control of oil prices.

The tax is expected to yield $30 billion more over the next six years, substantially less than was anticipated before the worldwide oil glut caused prices to fall. The decontrol was requested by President Carter in 1979 as a means of stimulating new production of oil and the tax was part of the proposal as was the political maneauver to exempt Alaska's fields. (Just part of Prudhoe, the Sadlerochit Reserve, was subject to the tax)

In issuing its decision, the Supreme Court upheld Congress' action saying Congress "had before it ample evidence of the disproportionate costs and difficulties -- the fragile ecology, the harsh environment, and the remote location—associated with extracting oil from this region." It was also noted by the Court that" the exemption did not follow the state boundaries, and that most oil produced in Alaska is in fact subject to the tax. It stated that Congress was not simply granting Alaska an 'undue preference,' but "was recognizing the special problems of drilling for oil north of the Arctic Circle."

Barton, Betty and Susan Brody, "Reductions in Federal Funding in Alaska", Memorandum to Rep. Niilo Koponen, House of Representatives Research Agency, Research Request No. 83-140, September, 1983.

The authors give an overview of federal aid and attempt to calculate the effect of proposed changes in federal policies on the state.

Federal spending is generally divided into five categories: payments to individuals; procurements; grants to states and local governments; salaries and wages; and miscellaneous expenditures. Payments to individuals include medicare, social security, federal retirement, food stamp distribution, payments to veterans and to the disabled. Procurement means the acquisitions made by federal agencies within states, the vast majority of which are military related. Grants to states and local governments include all kinds of payments, direct cash grants and in-kind payments. Aid to Families with Dependent Children, Medicaid and revenue sharing are in this category.

The primary "short term" goals of the Reagan administration regarding state and local governments, as expressed throughout the FFY 1982 - 1984 budget proposals, were:

- Reduce grants-in-aid funding;
- Simplify the administration and regulation of grants; and
- Consolidate categorical grants into block grants

The authors report that regardless of whether or not the Reagan administration is able to implement these proposals, "most forecasters have predicted a continued downward trend in the level of federal aid that is obligated to state and local governments." Analysts have noted that "federal aid is one of the simplest components of the budget to reduce — it is roughly one-half of the so-called 'controllable' part of the budget and its constituency tends to be diffused."

In regard to federal funds in Alaska, since 1970 Alaska has consistently received more federal funds on a per capita basis than any other state in the nation. The state ranks first in federal wages and salaries paid per capita, first in grants to states and local governments, and sixth in federal procurement. However, Alaska receives fewer payments to individuals than any other state due to its comparatively small elderly population. Moreover, according to the authors, per capita analysis has limitations because it does not account for unique characteristics of the state, e.g., large

land area and small population, extensive social programs, the presence of Native Americans, large numbers of federal employees, high cost of living and a large amount of federal shared revenues resulting from natural resource exploration occurring on federal lands. (p. 10)

In evaluating the impact of possible reductions in federal aid on Alaska, the authors determine that it is "unclear and depends on the ability of the state to withstand and compensate for losses in the various program categories. However, as a broad statement, it is fair to say that states, such as Alaska, which rely heavily on federal aid may be expected to encounter some negative impact....Much of the impact, however, may be passed directly on to Alaska's local governments because generally a substantial portion of the federal aid that a state receives is redistributed to its municipal governments." (p. 13)

Christian Science Monitor 4/5/83
p. 23

Don't export Alaskan oil

By Ellen Berman and James Bishop Jr.

The Reagan administration is reported to be drawing up plans to export Alaskan oil to Japan. This is part of a campaign to achieve greater trade harmony and to narrow the cavernous trade gap between the two nations. If successful, the export initiative would reverse a decade and a half of US energy and foreign policy. Is this wise?

A workable foreign policy, Walter Lippmann believed, consists of "bringing into balance, with a comfortable surplus of power in reserve, the nation's commitments and the nation's power." In the Export Administration Act of 1979 Congress tried to do exactly that by stipulating the conditions under which oil could be exported: (1) It would not damage national energy security; (2) it had to serve consumer interests by lowering prices; and (3) it had to advance the national interest. That was the "surplus of power" that Alaskan oil, which represents one-fifth of US oil resources, had to provide before exports would be allowed. By no stretch of anyone's imagination have those conditions been met.

Exporting Alaskan oil would be bad energy policy, bad economic policy, and bad foreign policy. What's more, it would endanger the nation's energy security, still enfeebled after two petroshocks in 1973 and 1979 and currently being weakened further by budget cuts and inattention.

Energy reality, not trade relations, must still be the paramount concern in deciding how to manage US energy resources.

Let's look at the energy facts:

- Today the national oil bill is 50 percent higher, as a percent of GNP, than it was when Congress approved the original stipulations of the law.
- The US still imports one-third of its oil.
- The world oil system is as unstable and unpredictable as ever. Exporting Alaskan oil would weaken America's capacity to deal with that reality.

Exports would idle almost half of the domestic tanker fleet. Apart from the obvious fact that jobs would be lost and billions of dollars in investments in infrastructure would be rendered useless, the proposed deal means that the US might well be without adequate tanker capacity during a national defense emergency or oil supply disruption. The capacity of the US oil system to respond to supply interruptions would be undermined and the Defense Department would have far fewer tankers to call on to transport oil and petroleum products to strategic domestic locations and to US armed forces abroad. Currently, there are no tankers in the US ready reserve fleet. This is no way to strengthen US national security.

The ability of the US to respond to supply disruptions would be affected in other ways. Imports from insecure foreign sources would be increased by as much as 15 percent and the US would become enmeshed in extremely complicated, bilateral oil trade relations. It could be faced with the unpleasant reality of having to cut off the Japanese in the event of a future oil disruption in order to meet domestic needs.

Even if there were "firm" agreements about when and how to stop the flow or adjust prices, the US could pay a heavy political price. Frantic political bargaining to abrogate those arrangements will certainly occur. Indeed, it was the abrogation of contracts between Western trading partners that set off the last price spiral.

Any benefits that one believes might flow from a reduction in trade imbalances would pale in comparison to the costs of having to cut off the Japanese during a disruption. It is precisely because bilateral agreements have proven so unstable and so politically charged that we have the multilateral International Energy Agency to handle oil sharing and trading arrangements between the industrial countries.

Finally, support for a wide range of national energy policies would be undermined. The Strategic Petroleum Reserve (SPR), which most studies indicate should be filled twice as fast as the current rate and doubled in size to provide maximum energy security, would certainly be called into question by the spectacle of the US pumping oil for export from a secure and accessible source in the far north at three times the rate foreign oil is being pumped into a strategic reserve in the Sunbelt.

But would there at least be some offsetting consumer benefit from such a transaction? Hardly. The supporters of exports claim that reducing transportation costs by using cheap foreign tankers to export oil would increase the wellhead price of oil in Alaska and even California and therefore raise federal and Alaskan tax revenues.

Not one of the studies conducted in the last three years has ever claimed that consumer prices would fall, because the generally uniform setting of world oil prices makes that impossible. On the contrary, consumer prices might rise because supplies would be dramatically reduced in the relatively isolated West Coast market, while more expensive foreign crudes would flow into the Gulf and East Coast markets.

The stipulations contained in the Export Administration Act expire in September. It is in the national interest to extend them. The US has not regained the degree of invulnerability to petroshocks required for it to be able to unsheath the oil weapon and use it against itself.

Ellen Berman is executive director of the Consumer Energy Council of America in Washington, D.C.

James Bishop Jr., formerly an aide to Energy Secretary James Schlesinger, is a Washington-based energy consultant.

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McCormack, Richard J., "Export of Alaskan Oil", Statement before the Subcommittee on East Asian and Pacific Affairs of the Senate Foreign Relations Committee on July 20, 1983. Reprinted in the Department of State Bulletin, September, 1983, pp. 57-59.

The Trans-Alaska Pipeline Act (1973) included language that allowed export of Alaskan oil only if the President found that exports were in the national interest and that they would not decrease domestic oil supplies.

1977 the Congress strengthened these restrictions substantially in the Export Administration Act. In 1979 the restrictions in the act were tightened yet again. The Export Administration Act, as amended, required that before allowing export of Alaskan oil the President must show that:

. Exports would not decrease the quantity or quality of the supply of oil to the United States;
. Exports would result in lower oil costs to refiners, 75% of which would be passed on to consumers.
. Exports would be terminated if U.S. supplies were threatened or diminished; and
. Exports were clearly necessary to protect the national interest. (p. 57)

McCormack, while recognizing the concerns of some Congressman that the U.S. may be deprived of its own oil in a crisis or that some regions will pay more for oil if Alaskan oil is exported, nevertheless testifies on behalf of removal of the legal restrictions on export of oil for a variety of reasons. Excerpts of his testimony follow.

Foreign Policy Effects

. Promoting open energy markets through export of Alaskan oil would demonstrate to the international community U.S. determination to remove artificial impediments to free trade, in general, and to energy markets, in particular.
. The U.S. would provide a potential new source of oil for one of our most important allies—Japan—and eventually, perhaps, for other countries on the Pacific rim with which we have extremely important relations.

Domestic Effects

. Complete removal of the ban on exports of Alaskan oil would result in savings of from $3.6 to $5.4 billion in present discounted value terms through 1990. These savings would result from the simpler and shorter route from Alaska than from Persian Gulf oil producers to customers in the Far East, and the sharply reduced transportation costs for U.S. east coast customers. In a completely free market, wellhead prices of oil exported to Japan and other Pacific rim countries could improve by as much as $1.85 per barrel, of which over $1.70 would be increased taxes paid to the US. and Alaskan governments. A partial lifting would have a smaller economic impact on producers, U.S. consumers, and maritime interests.

U.S. Energy Security

. The argument has been made that in the event of an oil supply crisis, the export of domestically produced oil would need to be restricted. However, McCormick contends that since close cooperation on energy supply questions is an allied position, in the event of an emergency, there would be an oil allocation system. Our international commitment would require that the U.S. share oil on a formula that takes into account net oil imports and consumption levels of each member country before and after the interruption.

Additional Effects

. The export of Alaskan oil could provide an additional incentive for development of domestic oil and gas resources. By enhancing profitability of domestic resources, we would be encouraging investment in U.S. energy supplies and, in fact, reducing our dependence on foreign energy resources.

. By example, U.S. allies would be encouraged to take similar steps.

McCormick does recognize that "the economic results of export of Alaskan crude are not entirely positive." He says that since U.S. private enterprise has made substantial investment in equipment to transport oil to the gulf, west, and east coasts, these investments would be adversely affected by the export of Alaskan crude oil. Of the domestic tanker fleet, 40% is in the Alaskan oil trade. The removal of the ban could result in exports of 800,000 barrels per day, and the owners of these tankers could be forced into default. Default on government loan guarantees on these ships could be substantial. Partial elimination of the ban would cause proportionalety fewer losses of Jones Act trade. The outlays would in each case be less than anticipated Federal tax revenue gains from exports of Alaskan crude. If exports of Alaskan crude were limited to 200,000 barrels per day, relatively few tankers would be affected. Benefits of lifting the ban would be offset to some extent by adverse effects of domestic tankers.

Ebinger, Charles K., "Export Alaska Oil To Japan", The New York Times, February 20, 1984, p. A19.

Ebinger writes in support of lifting the ban on export of Alaskan oil. The reasons he cites for his position include: Removal of the ban would promote free trade; spur new Alaska exploration and production thereby increasing Federal windfall profit taxes and help to reduce the Federal deficit; and would demonstrate to Japan, a trading partner and ally, concern in regard to Japan's vulnerability.

Ebinger reports that lifting the ban has the support of President Reagan, the state of Alaska and its Congressional delegation, as well as the governments of Korea and Japan, environmental groups, and three major oil producers. Currently, about one-half of Alaskan production (850,000 barrels a day) has to pass through either the Panama Canal or the Northville pipeline in Panama to reach Gulf Coast markets. A small amount of oil also travels from Alaska around South America to the Virgin Islands. Transportation of oil to Japan would be one-tenth of the cost of transporting it to the Gulf Coast. Additionally, California has projected a doubling of the number of barrels of crude oil produced in that state from the outer continental shelf and this would exacerbate the West Coast oil glut.

The author poses two questions for those who would oppose the export. "(1) Why shouldn't the U.S. export oil to Asian allies in a non-crisis situation when under the International Energy Agreement signed in 1974, we have agreed to supply Japan between 350,000 and 500,000 barrels a day in the event of a serious petroleum shortfall? (2) Why does the U.S. oppose the sale of oil to the Far East when both Jimmy Carter and President Reagan have made it a stated American defense commitment to spend nearly $80 billion by 1987 to build up our military capabiltiy to protect the flow of oil from the Middle East, both to ourselves, and to our Asian and European allies?"

Washington Post, 2/25/84, p. A15

Only Alaskans and Japanese Would Benefit

The governor of Alaska recently wrote in The Post that the existing prohibition of export of Alaska oil was not in the "national interest." His arguments are grounded on unrealistic and oversimplified theories about how world trade and the world oil market work. They serve to cloak the purely parochial under the banner of U.S. national interest. I see the export prohibition differently, as do almost 300 members of the House and Senate who have cosponsored legislation to permanently ban the export of Alaskan oil.

Export of this vital national resource would weaken our already one-sided trade position with the Japanese, damage national security and blame energy consumers for the additional $3-$4 per barrel cost of more expensive replacement oil. Furthermore, it would substantially curtail our program toward energy independence.

Exporting Alaska oil will not improve our trade posture. The overall U.S. trade deficit will not be reduced because exports will force us to import an equal amount of oil. Indeed, exports are likely to increase our $60 billion-plus trade deficit as we pay more for replacement oil than we will get for Alaska oil abroad. Most dangerously, exports will take the heat off the Japanese to lower their trade barriers and alter unfair export promotion policies. Instead of exporting goods manufactured by American labor in American factories, we would send the Japanese a scarce and irreplaceable domestic energy resource.

Furthermore, exporting our oil would be an act of contempt for the paramount goal of energy independence. Saudi Arabia is the most likely source of crude to replace exported Alaska oil because it has oil to sell and because its crude is of similar quality to Alaska oil. Mexico, Venezuela and Nigeria are unlikely sources of replacement crude. Mexico has an explicit policy against more exports to this country. Venezuela and Nigeria both are members of OPEC who are abiding by their production quotas. Thus, exporting Alaska oil would increase U.S. dependence on the Middle East. The Iran-Iraq War, instability in Lebanon and the track record of the region all point out the imprudence of exporting Alaska oil.

For consumers, Alaska oil puts downward pressure on prices in the Gulf and West Coast markets, giving significant price relief and improving our capacity to respond to a supply disruption.

The Alaskans and the Japanese alone would benefit from the export of Alaskan oil. Alaskans would add $50 to $300 million a year to the $2.5 billion they currently garner annually from oil revenue. The Japanese would cover up the serious trade issues underlying our $20 billion bilateral trade deficit. U.S. trade interests, energy security and consumers would lose from export. A broad-based coalition of consumer, farm, environmental, labor and industrial interests understand this economic reality and support continued domestic use of our oil. Let's not be fooled into believing Alaska oil exports are in the "national interest."

—*Stewart B. McKinney*

The writer is a Republican representative from Connecticut.

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Berman, Matthew & Karen White, "OCS Revenue Sharing in Alaska" Institute of Social and Economic Research Research Summary. Institute of Social and Economic Research, University of Alaska, January 1985, R.S. No-26.

The Federal government currently has two major revenue sharing programs related to Federal lands in Alaska. This revenue sharing reflects the awareness that federal ownership of lands impacts the state government financially because state government lacks control of the land and resources and because federal land is immune from state and local taxation.

The federal government distributes 25% of logging and other revenue from national forests and under the National Forest Revenue Act of 1908 must pass these revenues onto local governments. Under the Mineral Leasing Act of 1920, the federal government provides states with 50% of federal receipts from onshore mineral leases although Alaska, through a special provision, receives 90% of most onshore mineral revenues. These programs provide the precedent for proposals to share federal petroleum revenues from the Outer Continental Shelf (OCS) with Alaska and other coastal states.

In 1984 Congress proposed to share 4% of the revenues from the OCS, a share that would fall far short of the 25% or more of resource revenues that states receive from all other federal lands. A 1984 conference committee bill on the subject provided that 4% of OCS revenues would be set aside each year, up to a ceiling of $300 million. Some of the money would be allocated to various coastal programs and the remainder would be divided among coastal states under a complicated formula. No state would receive more than 15% of available revenues each year and would pass 1/3 of what they received to local government.

Alaska's Beaufort and Bering Seas are believed to have huge oil fields and Alaska could be the recipient of substantial royalty payments in revenue sharing from the federal government. The figure below compares projected Alaska North Slope Oil revenues and OCS royalties. Congressional action on the OCS question, can therefore, according to the authors, have great potential financial impact on Alaska's economy.

Ramseur, David, "OCS Revenue Bill Faces Rough Road", Anchorage Times, January 13, 1985, p. A-1.

Alaskan leaders express concern over the prospect for passage of a federal offshore revenue sharing program during the 99th Congress. While Congressman Young predicts success in the House which last session supported OCS revenue sharing, there have been political changes which make others, including the director of the Coastal States Organization, believe that legislation will not materialize. Among the factors responsible for this position are:

- A change in Senate leadership has placed bill critics in key political positions
- Pressure to cut federal spending and reduce the $200 billion deficit
- Changes within the Reagan administration which have left the OCS revenue sharing opponents with more power
- A diffusion of the interests of special interest groups which have previously focused their support on the OCS issue

The three OCS bills introduced this session all generally create a fund composed of approximately 4% of OCS revenues—leasing fees and production royalties—averaged over the last three years. The money is divided among the states according to a formula that considers a state's costal population, shoreline mileage, amount of OCS leasing, and coastal energy facilities.

Proponents say that states need the financial resources to offset the side effects of oil exploration and development and that the revenue sharing gives them an incentive to cooperate with the national mineral leasing program. Opponents of OCS revenue sharing say that the coastal states already receive more than their fair share of benefits from the oil.

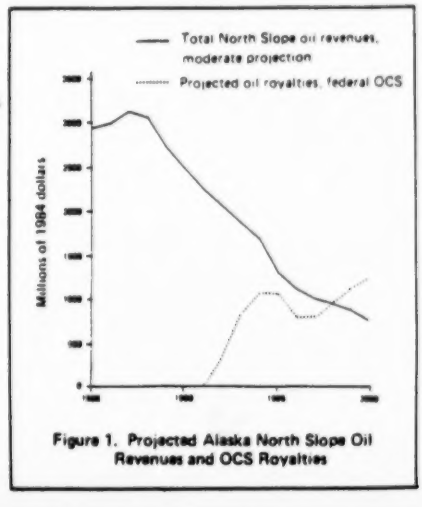

Figure 1. Projected Alaska North Slope Oil Revenues and OCS Royalties

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Erman, Richard and Jack Fargnoli, A Summary Of Federal Funds Received By the State of Alaska FY 1980 - FY 1984. Office of Management and Budget, State of Alaska, March, 1985.

This report provides an overview of federal funding actually received by the State of Alaska during the last five fiscal year. While the report qualifies the exactitude of the figures reported, for the reasons cited below, several conclusions of interest can be drawn from the compiled data. (p. 6)

- The overall level of federal expenditures in Alaska increased 10.1% from FFY 1982 to FFY 1983 (the last year for which this information was available).
- Federal salaries and wages were the largest source of federal spending in Alaska during both fiscal years, approximately $704 million in FFY 1982 and $695 million in FFY 1983, representing one-third of all federal spending in the State.
- The fastest growing category of federal spending in Alaska during the two fiscal years was that of grants to state and local government which increased by some 28.2% from $442 million to $541 million.

While the amount of federal expenditures in Alaska is significant, the portion of these revenues which went directly to the state during this period was only approximately 15% of all federal receipts directed to Alaska during this period. Because these funds are already earmarked by the federal government for specified purposes upon their arrival in Alaska, they are referred to in the budget terminology as "restricted".

Statistical elaboration in the Summary relates primarily to these federal grant monies, "restricted" funds, received by State of Alaska departments and agencies, exclusive of the University of Alaska.

These "restricted" revenues have constituted approximately 6-10% of total State revenues in recent years. (This percentage fell off slightly when state petroleum revenues increased (1980-1982) but began to climb again as state petroleum revenues began declining after FY1982. The statistics show that there has been a steady increase since 1980 in the amount of federal receipts coming to the state. (p. 10) with 40% going to the Department of Transportation and Public Facilities for capital projects; 20% to the Department of Health and Social Services; and 12-14% going to the Department of Education. (exclusive of the amount that went to the University of Alaska). The total amount received in FY1984 was $331.9 million.

The authors discuss the reporting conventions and complications which make answering the question, "How much federal money did the State of Alaska and its agencies receive in any given year?" difficult to answer. They identify the following: (pages 16-23)

- State law requires legislative approval of all expenditures, including federal funds. This fact often produces a difference between the amounts of federal funding shown in state budgets and the amounts actually received later.
- The state and federal governments use different fiscal years. Alaska uses a fiscal year which runs from July 1 - June 30. The federal government uses October 1- September 30. The resulting three month overlap between these two different accounting periods can cause confusion in interpreting the reporting of federal funding amounts received by the state.
- The boundaries of federal aid categories do not match the boundaries of state program categories or the structure of state departments.
- State and federal agencies use different reporting periods for their expenditures.
- Federal grants to states can be made in lump sums, as a series of payments, or on a reimbursable basis.
- The state agency practice of declaring "non-billables" can obscure the actual record of federal spending. Alaska's accounting system requires that revenue be present in program and project accounts before expenditures from those accounts can actually be made. This requirement conflicts with the requirement of many federal reimbursement grants which require that states actually spend money before being reimbursed for it. The conflicting demands of the two systems are reconciled at the State level by entering receivables (payments due) in the state accounting funds for these projects, thereby showing revenues present in the accounts, but not sending out any billings to the federal government until state funds are actually spent; hence, the term "non-billable" accounts. This accounting arrangement allows expenditures to be made on the basis of future collections from the federal government.
- The state uses a variety of accounts to receive federal monies.
- The state produces a variety of accounting reports, in a variety of formats.

"History and Status Of The Trans-Alaska Gas System Yukon Pacific's LNG Export Project", Memorandum, Yukon Pacific Corporation, March 1, 1985.

Prudhoe Bay contains 26 trillion cubic feet of natural gas in conjunction with the oil now being produced. The gas, discovered in 1968, is presently being reinjected into the reservoir. Daily production of three billion cubic feet is possible, to be converted by a liquefaction process to 14 million tons of LNG per year.

Since the completion of the Trans Alaska Pipeline System to ship the oil in 1977, Alaska's primary development goal has been to get its gas to market. When the 4800 mile trans-Canadian Alaska Natural Gas Transportation System (ANGTS) announced an indefinite delay in 1982, alternatives were studied.

A state commissioned study, concluded in 1983, suggested that a Trans-Alaska Gas System aimed toward exporting LNG to Asian markets was the best, if not the only, alternative for North Slope natural gas. The idea of attempting to find markets for North Slope natural gas in Asia was endorsed by the Reagan administration, Governor Bill Sheffield, and the Alaska legislature.

This memorandum reports on the status of efforts being made by Yukon Pacific's LNG export project. Yukon Pacific Corporation was formed in 1983 to join the forces of federal government, state government, the gas owners, and private investors. It assumed the role of convenor of the necessary studies and of the project itself.

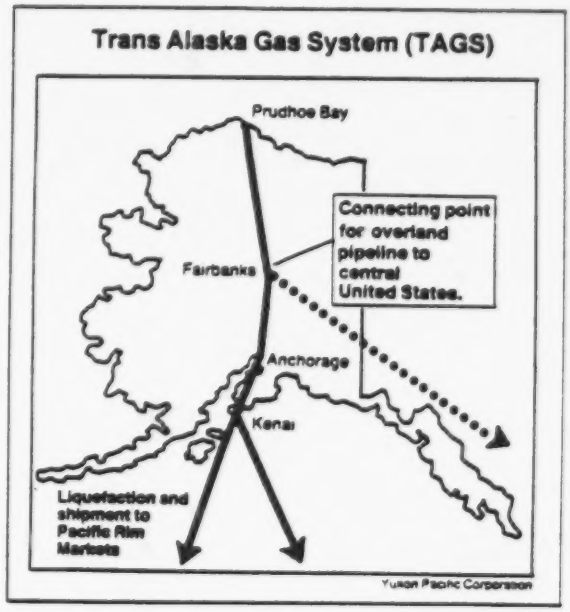
Since the spring of 1984 Atlantic Richfield Company, one of the three major owners of North Slope gas, has been leading a study of cost estimates and economic feasibility for such a project. Korea and Japan are also involved in the study which is expected to continue into 1986. Besides seeking a new and highly accurate capital cost estimate for the project, study partners are also examining ways to increase the use of natural gas in target market countries.

The project would involve building a 820-mile natural gas pipeline from Prudhoe Bay to a tidewater location in Alaska where the gas would be liquefied and shipped to markets in Japan, Korea, and Taiwan. Current estimates are that such a pipeline would cost $26 billion, $14 billion before financing costs.

Japan currently imports LNG from Alaska's Cook Inlet but has committed to also buy from Indonesia, Australia, Abu Dhabi and Malaysia by 1990. Thailand, Qatar, and the Soviet Union may also be interested in supplying Japan with gas at that time. Korea and Taiwan also plan to import LNG from Indonesia in the future.

Yukon Pacific is trying to gain a right-of-way from the federal government which has ownership of parts of the land along the proposed pipeline route. The Bureau of Land Management may begin the necessary Environmental Impact Statement on the project by Fall, 1985. Yukon Pacific is also anticipating that the Economic Regulatory Commission (within the Dept. of Energy), and not the Federal Energy Regulatory Commission, will have authority over the pipeline because it is designed for export use only.

While Yukon Pacific does not anticipate any special federal legislation being required for the project, there may be the need for clarifying language which would eliminate any possibility that the holder of the certificate for the Alaska Natural Gas Transportion System would have the exclusive right to transport North Slope gas. Permitting and construction strategies which would expedite and reduce pipeline costs are also being explored.



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"Alaska Oil Export Study Approved", Senator Frank Murkowski Report to Alaskans, July, 1985.

An amendment to the Export Administration Act was approved by Congress on June 29, 1985. The amendment mandates an immediate and comprehensive study of the export issue and an explicit recommendation whether there is a need to keep or lift the export ban.

The issues which are to be studied include:

- The effect Alaska oil exportation would have on the energy and national security of the United States and its allies;
- The effect it would have on the overall U.S. trade deficit with specific nations;
- The role it would play in changing U.S. foreign policymaking, including international energy policymaking;
- The impact it would have on employment levels in the maritime, oil and other industries;
- The impact it would have on refiners and consumers;
- The impact on revenues and expenditures of the federal government and the State of Alaska;
- The effect on incentives for oil and gas exploration in the United States.

"In almost each of these categories, the United States and its allies will benefit from lifting the ban," Murkowski was quoted as saying. "Exporting Alaska oil just makes good economic sense."

He noted that exporting 200,000 barrels of oil per day - the maximum allowed under the amendment - would reduce the U.S. trade deficit by $2 billion annually.

"Whalers Fearful Of Cuts In Quotas", Anchorage Daily News, July 17, 1985, p. 1 and 12.

A committee of the International Whaling Commission (IWC) suports a proposal which would reduce the number of bowhead whales Alaska's Eskimos are allowed to kill from 27 to 22 annually. Alaskan Eskimos have been seeking an increase in Alaska's quota and say a reduction could be disasterous.

Alaska's Eskimos have killed whales for subsistence throughout history and depend on whaling and whale products for their survival. Small boats and explosive harpoons are used in the hunting.

Bowhead whales are 50' long and live in Arctic waters off Alaska, eastern Siberia, Canada and Greenland. IWC marine scientists consider them a critically endangered species and believe there are no more than 3,800 left. Other conservationist proposals are also being considered by the Committee.